Supreme Court, U.S.
FILED

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No.

In the Supreme Court of the United States

OCTOBER TERM, 1996

WESTINGHOUSE ELECTRIC CORPORATION,
Petitioner,
v.
GENERAL CIRCUIT BREAKER & ELECTRIC SUPPLY INC.,
et al.,
Respondents.

On Petition for Writ of Certiorari to the United States Court Of Appeals for the Ninth Circuit

PETITION FOR WRIT OF CERTIORARI

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106 pp

First Question Presented For Review:

Whether, as the Court of Appeals for the Ninth Circuit held, the elements of a trademark counterfeiting claim under the Trademark Counterfeiting Act of 1984 ("TCA") are identical to those of a claim of trademark infringement under section 1114 of the Lanham Act, and do not include the use of a "counterfeit" trademark, as defined by the TCA.

Second Question Presented For Review:

Whether, in a civil case, a district court may *sua sponte* reverse a jury verdict as to one claim, on account of a purported inconsistency with the jury's verdict on a separate claim, when no Rule 50 motion has been made for judgment as a matter of law as to the verdict reversed, and the sufficiency of the evidence supporting the verdict has not been challenged.

PARTIES TO THE PROCEEDINGS

Petitioner Westinghouse Electric Corporation is a publicly traded corporation, that has numerous non-wholly owned subsidiaries. A list of these non-wholly subsidiaries appears in the Rule 29.6 Listing.

Respondents are General Circuit Breaker & Electric Supply, Inc., Pencon International, Inc. dba General Magnetics/Electric Wholesale, Panelboard Specialties Wholesale Electric, Inc., Xavier Contreras, the Estate of Charley Contreras, and Jaime Contreras.

AC Circuit Breaker-Electric Supply, Inc. and Joe A. Contreras, both of whom were defendants in the district court, were parties to the proceedings at the Court of Appeals when the appeal was docketed, but settled with Westinghouse prior to the resolution of the appeal, and were not parties to this litigation at the time of the Ninth Circuit judgment.

RULE 29.6 LISTING

Aws Ansaldo, Spa
Clover Consortium
Mojave Cogeneration Company, L.P.
Computerized and Advanced Technologies Company
Contadores Electrico S.A.
Thermo King-Dalian Transport Refrigeration Company, Limited (Prc)
Mojave Cogeneration Company, L.P.
Rocky Mount Town Centre Associates, Limited Partnership
OGW Corp.
Sutro Towers, Inc.
Group W P/D LP
Group W/CBS Production Partners
Group W Television Sales LP
CBS/Group W Television Sales Partners
Group W Television Stations LP
Group W/CBS Television Station Partners
KUTV Limited Partnership
KUTV Real Estate Company LLC
KUTV Associates
Home Team Sports Limited Partnership
Westwood One, Inc.
TDI Limited
TDI Buses Limited
TDI Metro Limited
Infrared Fiber Systems, Inc.
Jafco — Ltd. Partnership
Pittsburgh Baseball Partnership
Modelpol
Rocky Mount Town Centre Associates, Limited Partnership
Safe Sites of Colorado L.L.C.
Senior Road Towers Partnership
Servicos Industriales Westinghouse C.A.
Stirling Engine Associates
Sure Tech, L.L.C.
Symphonetic Recording Society, L.L.C.
Gregory Environmental Systems, L.P.

Turbinas Y Generadores Turgenca C.A.
Vektron S.A.
Wb Bottling Corporation
Mojave Cogeneration Company, L.P.
Bala Cynwyd Associates
CBS/Group W Television Sales, Inc.
Miss Universe LP, LLLP
3 Arts Television
Meadowlands Pkwy 7 Associates
Comware Systems, Inc.
The CBS/Fox Company
Servicios Westinghouse De Mexico S.A. De C.V.
Westinghouse Energy Systems Europe S.A.
Palmetto Seed Capital Fund L.P.
Elektrik Technizati Imalati Tesisati, A.S.
Enwesa Servicios, S.A.
Golden Rose Communications PLC
Hyosung Industries Co., Ltd.
IC Enerco S.R.O. (Csfr)
International Venture Partnership
ISCOSA Industries and Maintenance Ltd.
Long Wei Power Generation Service Technology Company (Prc)
Pwr Power Project Systems Ltd.
Raftrans, S.A.
Shanghai Controls United, Limited
Shanghai Power Equipment Company Limited
Shanghai Turbine Company Limited
Shanghai Turbine Generator Company Limited
Asia Broadcast Centre
Group W Yarra Broadcast Co.
Westinghouse Energy Systems Europe S.A.
Westinghouse Industry Services Thailand Ltd
WESTRON
Shanghai Advanced Power Projects Co., Limited
Shanghai Boiler Works

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Defendants/Appellees/Cross-Appellants.

On Petition for Writ of Certiorari to the United States Court Of Appeals for the Ninth Circuit

PETITION FOR WRIT OF CERTIORARI

Petitioner Westinghouse Electric Corporation ("Westinghouse") respectfully prays that a writ of certiorari issue to review the judgment of the United States Court of Appeals for the Ninth Circuit in this case.

OPINIONS BELOW

The opinion of the Court of Appeals (App. A, *infra.*) is reported at 106 F.3d 894. The Order of the Court of Appeals denying the petition for rehearing with suggestion for rehearing en banc appears at the end of the published opinion (App. A, *infra.*). The opinion of the District Court reversing the jury's verdict on Westinghouse's trademark counterfeiting claim and ordering entry of judgment in favor of respondents (App. B, *infra.*) is reported at 852 F. Supp. 883.

JURISDICTION

The Court of Appeals entered its judgment on February 10, 1997. App. A, *infra.* A timely petition for rehearing

with suggestion for rehearing en banc was denied by the Court of Appeals on March 27, 1997. App. A, *infra*. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

STATUTORY PROVISIONS INVOLVED

The applicable provisions of the Lanham Act, as amended by the Trademark Counterfeiting Act of 1984, are 15 U.S.C. §§ 1114, 1116, 1117, and 1127. These provisions, as amended, are reprinted in their entirety in Appendix C to this Petition. App. C, *infra*.

STATEMENT OF THE CASE

This case concerns the counterfeiting and misuse of manufacturers' trademarks in connection with the sale of molded case circuit breakers ("MCCBs"), safety devices that interrupt electrical flow in the event of thermal overloads or short-circuits along electrical lines. In 1988, three MCCB manufacturers, Westinghouse, General Electric Company, and Square D Company, as well as Underwriters Laboratories Inc. ("UL"), a non-profit certifying agency for electrical products, brought suit against ten California vendors of industrial MCCBs and their principals. The defendant companies each bought and sold both new and used MCCBs originally manufactured by Westinghouse and others.

When selling used breakers, defendants did not simply sell them "as is." Instead, they typically opened up the breakers' cases and reconditioned them prior to sale. Since breakers may deteriorate in operation, defendants' reconditioning process often included replacing internal parts with used parts from other breakers. In addition, defendants often altered the breakers' amperage or voltage ratings or current interrupting capacity.

The final steps in defendants' reconditioning process typically consisted of cleaning the breakers, and, where the original rating labels on the breakers looked old or worn, affixing new rating labels bearing copies of the original manufacturer's trademarks. Defendants also affixed copies of UL certification labels to the breakers they reconditioned, although UL had not certified the breakers in reconditioned form. Defendants obtained the copied labels by photocopying genuine labels, having labels professionally printed, or both. When defendants changed amperage or voltage ratings on breakers, they attached labels indicating the modified, rather than the original, ratings. The fact that the amperage and voltage ratings had been changed from original manufacturer specifications was nowhere disclosed.

Defendants typically took great care to duplicate the exact appearance of the labels applied by the manufacturers to their breakers. Despite these elaborate labeling practices, however, defendants never marked the breakers as used or reconditioned. Nor did they indicate the condition of the products they sold on their sales invoices, or typically make any verbal disclosure of the condition of their breakers to customers. The evidence at trial also established that, before this litigation commenced, a customer ordering a circuit breaker from defendants ran the risk of receiving a reconditioned product, or a circuit breaker altered from its original amperage or voltage rating, without knowing it. Evidence at trial further indicated that some of the defendants acknowledged to their employees that their unauthorized copying of circuit breaker manufacturer's trademarks and application to their goods was illegal.

At the outset of the litigation, Square D Company obtained ex parte orders pursuant to the Trademark Counterfeiting Act of 1984 ("TCA") authorizing seizure of evidence from three of defendants' businesses. As a result of these orders, thousands of sheets of professionally printed or

photocopied labels bearing manufacture trademarks were seized, as well as used and reconditioned circuit breakers bearing such counterfeit labels.

In the present cases, Westinghouse asserted claims for trademark counterfeiting under the TCA, unfair competition under the Lanham Act, California statutory law and common law, and trademark dilution.[1] Westinghouse sought a permanent injunction forbidding defendants from reproducing its trademarks and requiring them to make full disclosure of the condition of the products they sold, plus treble damages or profits pursuant to the TCA for past counterfeiting activity.

Defendants admitted the facts underlying Westinghouse's claims. At trial, however, defendants contended that Westinghouse should be barred from relief by laches, acquiescence, estoppel and unclean hands, based upon evidence that its former electrical equipment retail division, WESCO, did substantial business with defendants before the lawsuit.

At the conclusion of the four-month trial, the jury received a verdict form for each group of defendants asking it to return verdicts both as to Westinghouse's affirmative claims and as to defendants' equitable defenses to each such claim. In each verdict form, the jury found for Westinghouse on its counterfeiting claim and Lanham Act and California law unfair competition claims, and against Westinghouse on its common law unfair competition and trademark dilution claims. With regard to Westinghouse's trademark counterfeiting claim, the jury also specifically found that defendants had intentionally used counterfeits of Westinghouse's trademarks, knowing them to be counterfeit, as required by the terms of the TCA.

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[1] In addition, several government agencies initiated investigations against various of the defendants, including a criminal investigation that led to indictment and conviction of two of the original defendants.

With regard to defendants' equitable defenses, the jury found that such defenses had been established as to each of Westinghouse's claims except the counterfeiting claim. With regard to that claim, the jury found that no equitable defenses had been proven. At the time the jury's verdict was returned, the district court accepted it and discharged the jury. Because the jury's verdict for Westinghouse on its counterfeiting claim supported an award of treble damages under the TCA, a subsequent damages trial was tried, by party agreement, to the court. This trial focused upon a calculation of defendants' profits from selling Westinghouse molded case circuit breakers bearing counterfeit labels.

Following the damages trial, the district court issued an Order for Judgment ("Order") in which it sua sponte reversed the jury's verdict as to Westinghouse's counterfeiting claim, and held that defendants had in fact established their equitable defenses to that claim. 852 F. Supp. at 897. The effect of the court's action was to set the jury's counterfeiting verdicts in Westinghouse's favor aside and enter judgment for the defendants — even though defendants had not filed a motion for judgment as a matter of law or otherwise challenged the legal sufficiency of the evidence to support the claims in Westinghouse's favor or the jury's verdicts as to the equitable defenses. In reversing the jury's verdicts, the Court did not apply the standard applicable to motions for judgment as a matter of law.

In its opinion, the court recognized that Westinghouse had established its affirmative claims for trademark counterfeiting and for unfair competition under the Lanham Act, as amended, and thus had proved that defendants had: sold reconditioned breakers bearing the Westinghouse trademark; failed to label them as reconditioned; done so without Westinghouse's consent; and created a likelihood of confusion. 852 F.Supp. at 887. Nonetheless, the court concluded that Westinghouse was entitled to no relief for the foregoing

conduct. *Id.* at 897. The court construed the jury's laches, acquiescence, and estoppel verdicts on Westinghouse's non-counterfeiting claims to establish that Westinghouse knew or should have known that defendants were reconditioning circuit breakers without disclosing their condition, and held such knowledge to disqualify Westinghouse from challenging defendants' actions. *Id.* at 895.

Although the jury expressly found defendants had not established any equitable defenses to Westinghouse's counterfeiting claims, the court dismissed these verdicts as immaterial. The court ruled that these verdicts were fatally inconsistent with the jury's equitable defense verdicts on the other claims because a determination that defendants proved their defenses to Westinghouse's section 1125 claim "should have mandated the same result" on the counterfeiting claim. *Id.* at 887.

The court concluded that the jury reached different verdicts on the defenses to the two claims due to an instruction that, since these two claims had different elements, a defense to one would not necessarily constitute a defense to the other. *Id.* at 892-93. In retrospect, the court decided, this instruction was wrong: these two claims possessed identical elements, and thus the jury should have rendered the same verdicts as to the defenses to both. *Id.* at 893-94. The court went on to hold, however, that its own legal error in giving an incorrect instruction was "harmless." *Id.* at 896. Claiming to know that, had the jury not been erroneously instructed, it would have rendered a verdict against Westinghouse on the counterfeiting claim defenses, the court reversed the jury's actual verdict and denied Westinghouse any damages. *Id.* at 897. In a later order, the court also denied Westinghouse injunctive relief. *In re Circuit Breaker Litigation,* 860 F. Supp. 1453 (C.D. Cal. 1994).

The Court of Appeals for the Ninth Circuit affirmed the district court judgment in all respects. The Ninth Circuit

panel did not undertake any independent review of the district court conclusion that the verdicts were "inconsistent," nor did it question the district court's failure to respect the jury's verdicts. Instead, the panel simply agreed with the district court that the jury instructions erroneously focused the jury on an irrelevant feature of Westinghouse's counterfeiting claim — the fact that Westinghouse had been required to prove the use of *duplicate*, or counterfeit, marks in order to prevail on its counterfeiting claim. 106 F.3d at 899.

The appellate panel's conclusion was based on its decision that conduct that would support a *counterfeiting* cause of action under the TCA is no more likely to deceive the public than conduct giving rise to a generic trademark *infringement* claim. 106 F.3d at 900. Based on this rationale, and without referring to the language of the TCA, the panel held that "duplication is not an element of a trademark counterfeiting claim." *Id.*

The panel further held that, given the jury instruction that the court believed to be in error, the district court properly "disrupt[ed]" Westinghouse's jury verdict on the counterfeiting claim, *id.* at 901, and properly entered judgment against it based on the application of the "correct law to the jury's 'implicit factual findings.' " *Id.* at 903. Although no party had made a motion for judgment as a matter of law, the panel reasoned that the reversal of the jury verdict due to inter-claim inconsistency did not "intrud[e] on the province of the jury." *Id.*

Westinghouse then filed a petition for rehearing with suggestion for rehearing en banc, which was denied. 106 F.3d at 904.

Reasons For Granting The Petition As To The First Question

The Ninth Circuit Opinion Disregards The Statutory Framework And Conflicts With An Opinion Of The Court Of Appeals For The Eleventh Circuit

The opinion below improperly treated Westinghouse's trademark counterfeiting claim under the TCA as though it were identical to a generic trademark infringement claim under the Lanham Act. In so holding, the Ninth Circuit lost sight of the distinction between trademark counterfeiting claims and other Lanham Act claims. In particular, the Ninth Circuit read out of the TCA the requirement that the defendants' conduct constitute "counterfeiting," as opposed to other types of trademark misuse. The Ninth Circuit's decision thus creates a conflict with the decisions of other courts, including the Court of Appeals for the Eleventh Circuit, which have recognized the material distinction between counterfeiting and non-counterfeiting trademark claims.

Since its enactment in 1946, the Lanham Act has made illegal the "use in commerce [of] any reproduction, counterfeit, copy, or colorable imitation of a registered mark" in connection with the sale of goods or services in a manner likely to cause consumer confusion. See 15 U.S.C. § 1114(1)(a). Courts generally refer to claims brought pursuant to section 1114 as "trademark infringement" claims. *See, e.g., Polo Fashions, Inc. v. Dick Bruhn, Inc.*, 793 F.2d 1132, 1133 (9th Cir. 1986). Courts have interpreted the reach of section 1114 broadly, in light of its general purpose to protect the consuming public from confusion as to the origin of goods. *See, e.g., International Order of Job's Daughters v. Lindegerg & Co.*, 633 F.2d 912, 918 (9th Cir. 1980). Thus, courts have concluded that a wide variety of activities can constitute "trademark infringement" in violation of § 1114(1)(a), including the sale under the

"SHELL" trademark of bulk oil purchased from authorized Shell Oil Company distributors by a wholesaler unaffiliated with Shell, *Shell Oil Co. v. Commercial Petroleum, Inc.*, 928 F.2d 104, 107 (4th Cir. 1991), and the sale of shoes manufactured with the trademark holder's authorization but without permission to distribute them, *El Greco Leather Prods. Co. v. Shoe World, Inc.*, 806 F.2d 392, 393 (2d Cir. 1986).

During the 1980s, however, Congress recognized that the limited remedies available to a successful section 1114 claimant — essentially single damages and costs — were largely ineffective in deterring a particular and specific form of infringement: counterfeiting. Congress's concern stemmed from the fact that "counterfeiting is a uniquely pernicious form of trademark infringement." S. Rep. No. 98-526, at 2 (1984), *reprinted in* 1984 U.S.C.C.A.N. 3627, 3628 [hereinafter Senate Report]. "This conduct is the most extreme form of trademark infringement: it involves knowing use of a spurious mark that is identical, or virtually identical, to a registered trademark." Id. at 10, 1984 U.S.C.C.A.N. at 3636.

The ineffectiveness of traditional Lanham Act remedies was due in part to the fact that modern technology has made it easier to reproduce trademarks than it was in the past. *See* Trademark Counterfeiting Act of 1983: Hearing before the Subcommittee on Patents, Copyrights and Trademarks of the Senate Committee on the Judiciary, 98th Cong., 1st Sess. 16 (Sept. 14, 1983). Furthermore, prior to the enactment of the Trademark Counterfeiting Act, a counterfeiter could essentially "steal substantial property rights, get caught, and suffer nothing more than a temporary delay in distribution." *See* Trademark Counterfeiting Act of 1984: Hearings on H.R. 2447 Before the Subcommittee on Crime of the House Committee on the Judiciary, 98th Cong., 1st Sess. 13 (Oct. 20, 1993). Simply put, the Lanham Act "was

an ineffective tool for stemming the counterfeiting tide." 2 Jerome Gilson, Trademark Protection & Practice § 5.10[1], at 5-188 (rev. ed. 1997); *see also* Senate Report at 5 ("penalties under the [Lanham] Act have been too small, and too infrequently imposed, to deter counterfeiting significantly").

The perceived lack of deterrent effect of the Lanham Act remedies was especially troubling in light of the growing "epidemic" of counterfeiting. *See Montres Rolex S.A. v. Snyder*, 718 F.2d 524, 528 (2d Cir. 1983). Indeed, by the early 1980s, counterfeiting practices had expanded from their traditional industries — apparel, luggage, etc. — to include computer hardware and software, battery packs, integrated circuits, machine tool dies, toasters, and, of particular interest in this case, circuit breakers. *See Gilson, supra*, § 5.10[1] at 5-188, citing Final Report on Investigation No. 332-158 Under Section 332(b) of the Tariff Act 1930, The Effects of Foreign Product Counterfeiting on U.S. Industry, USITC Pub. 1479, 1984; *see also* Senate Report at 4 ("Many counterfeiters today sell products that pose a serious threat to public health and safety.")

It was in this context that Congress enacted the Trademark Counterfeiting Act of 1984 (P.L. 98-473, 98 Stat. 2178). In addition to making trademark counterfeiting a crime, *see* 18 U.S.C. § 2320, the TCA amended the civil Lanham Act in two important ways. First, it provided courts with the authority, under certain enumerated circumstances, to issue *ex parte* orders for the seizure of counterfeit marks and related evidence. 15 U.S.C. § 1116(d)(1)(A). Second, it required — absent extenuating circumstances — an award of treble damages or treble profits upon proof that the defendant intentionally used a counterfeit mark, knowing it to be counterfeit. 15 U.S.C. § 1117(b). Thus, in enacting the TCA, Congress narrowed its focus from the broad application of section 1114, which encompassed "any repro-

duction, counterfeit, copy, or colorable imitation of a registered mark," to what was perceived as the most egregious form of trademark misuse — counterfeiting.

Accordingly, in order to take advantage of the provisions of the TCA, Congress required plaintiffs to show the use of an actual "counterfeit mark," as defined by the Act. For example, under the terms of the TCA, a court can issue an *ex parte* seizure order only when plaintiff has brought an action "under section 1114(1)(a) ... with respect to a violation that *consists of using a counterfeit mark.*" 15 U.S.C. § 1116(d)(1)(A) (emphasis added). Similarly, treble damages are mandatory only in the case of a "violation of section 1114(1)(a) ... that *consists of intentionally using a mark or designation, knowing such mark or designation is a counterfeit mark* (as defined in section 1116(d) ...)." 15 U.S.C. § 1117(b) (emphasis added).

Thus, a claim for trademark counterfeiting pursuant to the TCA requires proof not just of the elements of a general infringement claim under section 1114(1)(a), but also requires proof that the defendant (a) used "counterfeit" marks, as defined by the Act, and (b) did so intentionally, knowing the marks to be counterfeit. Indeed, the Court of Appeals for the Eleventh Circuit has explicitly acknowledged the additional elements of a claim under the TCA. In *Babbit Elec., Inc. v. Dynascan Corp.*, 38 F.3d 1161 (11th Cir. 1994), the court recognized that the plaintiff's infringement claim (pursuant to section 1114(1)(a)) and trademark counterfeiting claim (pursuant to the TCA) were distinct claims. *See id.* at 1178-1181. Specifically, the *Eleventh Circuit* held that a trademark counterfeiting claim requires proof of elements beyond those necessary to establish a section 1114(1)(a) infringement claim. *Id.* at 1181 ("In order for Dynascan to prevail on its counterfeiting claim, it must demonstrate that Babbit infringed a registered trademark in violation of 15 U.S.C. § 1114(1)(a), and it

must prove that Babbit 'intentionally used a mark, knowing such mark is a counterfeit mark.' 15 U.S.C. § 1117(b)."); *see also Karsten Mfg. Corp. v. Oshman's Sporting Goods, Inc.*, 869 F. Supp. 778, 780-81 & n.5 (D. Ariz. 1994) (noting that the TCA provides for treble damages whereas prejudgment interest is allowed for a violation *either* of section 1114 or of the TCA); *Nintendo of America, Inc. v. Ketchum*, 830 F. Supp 1443, 1445 (M.D. Fla. 1993) (recognizing a distinct claim for "counterfeiting" pursuant to the TCA).

In this case, Westinghouse asserted two separate trademark claims against the defendants. First, Westinghouse alleged a claim for "unfair competition" pursuant to 15 U.S.C. § 1125 of the Lanham Act, relating to defendants' failure to label their products as used or reconditioned. This claim, as tried to the jury, was directed at defendants' practice of selling used and reconditioned circuit breakers, bearing original Westinghouse labels containing Westinghouse's trademarks, without disclosing the fact that the breakers were not new.

In addition, Westinghouse brought a separate claim under the TCA. Whereas Westinghouse's unfair competition claim was primarily directed to defendants' acts of omission — their failure to label their products as used or reconditioned, or otherwise disclose their condition — its TCA claim addressed defendants' more culpable acts of commission — their affirmative misconduct in creating and affixing *counterfeit* Westinghouse trademarks to those used and/or reconditioned breakers whose original labels were too worn to be passed off as new, in an effort to make them appear new to customers. Throughout the four-month trial, and consistent with the legislative history and the caselaw cited above, both Westinghouse and the defendants understood this counterfeiting claim to require proof of elements additional to those required for a general infringement claim,

including the actual counterfeiting of Westinghouse's trademarks, and the knowledge that such marks were counterfeit. Westinghouse specifically undertook this additional burden so that it could avail itself of the provisions in the TCA allowing ex parte seizures and treble damages.

Given the statutory definition of "counterfeit" marks, *only* defendants' unauthorized duplication of Westinghouse's registered trademarks could support a claim for trademark counterfeiting. The TCA's damages provision authorizing awards of treble damages and attorney's fees applies only in the case of a violation of section 1114(1)(a) "that consists of intentionally using a mark ... knowing such mark ... is a counterfeit mark (as defined in ... 15 U.S.C. § 1116(d)). 15 U.S.C. § 1117(b). Section 1116(d) of the TCA, in turn, defines a "counterfeit mark" as a "counterfeit" of a mark in use and registered with the United States Patent and Trademark Office for the particular product or good to which it is applied.

The definition of precisely what constitutes a "counterfeit" is provided by section 1127 of the Lanham Act, which predates the TCA. This section, which Congress can be presumed to have had in mind when it enacted the TCA, defines a "counterfeit" mark as "a spurious mark which is identical with, or substantially indistinguishable from, a registered mark." Thus, a counterfeit mark must be "spurious," *i.e.*, false. While an unauthorized duplicate attached to a product by a third party in a manner leading to customer confusion meets this description, an original trademark placed on a good by the trademark owner itself does not. Indeed, the TCA explicitly *excludes* from its definition of counterfeiting instances in which the trademark was affixed by someone with authorization to do so (as Westinghouse clearly was when attaching its own trademarks to its own goods). 15 U.S.C. § 1116(d)(1)(B). Thus, although defendants' unauthorized copying activity, which deceived

customers as to the condition of their goods, could properly be deemed trademark counterfeiting, their retention of original Westinghouse trademarks on the used and reconditioned goods they sold without adequate disclosure of their condition, although actionable under other provisions of the Lanham Act, could not represent counterfeiting activity.

The separate factual basis for Westinghouse's counterfeiting and non-counterfeiting claims, stemming from the relevant statutory language, was recognized both before and during the trial. Thus, the pretrial order reflected that the counterfeiting claim differed from the unfair competition claim in involving the factual question of "[w]hether the defendants' use of the replacement rating labels constitute[d] trademark counterfeiting." As the trial drew to an end, the parties *jointly* submitted jury instructions describing the two Lanham Act claims as distinct, and properly informing the jury that Westinghouse, to prevail on its counterfeiting claim, had to prove defendants' use of counterfeit marks. Indeed, even defense counsel's closing remarks reflect the shared understanding of the counterfeiting claim: "There is one count . . . that requires replacement labels on it." Thus, Westinghouse prepared and tried its case on the understanding that it was required to prove each element of a *TCA* claim, not a general infringement claim under section 1114(1)(a).

Moreover, Westinghouse was successful. The jury specifically found that Westinghouse had proved its claim for trademark counterfeiting, and that the defendants had not proved any equitable defense to that claim.[2]

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[2]By contrast, the jury found that Westinghouse had proved its unfair competition claim under section 1125, but that defendants had established equitable defenses to that claim, including estoppel, laches, and unclean hands. The jury's distinguishing between the two claims is perfectly logical and supported by the evidence, which showed that although Westinghouse may have known of defendants' activities giving

In its opinion, however, the Ninth Circuit obliterated the distinctions between a TCA claim and a general infringement claim pursuant to section 1114(1)(a), in direct conflict with the opinion of the Court of Appeals for the Eleventh Circuit. In determining that it could properly "upset one jury verdict in favor of Westinghouse," 106 F.3d at 896, to conform to the jury's opposite verdict on Westinghouse's unfair competition claims, the Ninth Circuit necessarily concluded that there was no material distinction between the claims. Brushing aside the fact that Westinghouse had asserted a counterfeiting claim, the Ninth Circuit noted that the "aim of section 1114 is broader than the prohibition of 'counterfeiting.' " *Id.* at 899. While true, this statement is irrelevant, given that Westinghouse prosecuted a specific counterfeiting claim, not a generic section 1114 claim.[3]

In short, the opinion rests on the faulty premise that "[s]ection 1114 of the Lanham Act . . . establishes the trademark counterfeiting cause of action." *Id.* However, as described above, section 1114, by itself, merely establishes a

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rise to the unfair competition claim, it had no knowledge, until shortly before filing suit, that defendants were engaged in affirmative acts of trademark counterfeiting.

[3]In purporting to describe Westinghouse's position on appeal, the Court of Appeals again conflated the distinction between a counterfeiting claim and a generic section 1114 claim, wrongly characterizing Westinghouse as arguing that the retention of an original Westinghouse label on a reconditioned good sold without disclosure of its condition could not constitute counterfeiting because "original labels are not a 'reproduction, counterfeit, copy or colorable imitation.' " *Id.* Once again, the statutory language quoted by the Ninth Circuit, however, tracks that of a generic section 1114 infringement claim, not a counterfeiting claim. Moreover, Westinghouse never asserted that misuse of an original label could not constitute infringement under section 1114; it merely argued that such conduct could not constitute the subset of actionable activity under section 1114 that qualifies as "counterfeiting" under the TCA.

general infringement claim, not a counterfeiting claim pursuant to the TCA. See also Babbit, 38 F.2d at 1181.

The panel's fundamental error in this regard blinded it to the singular requirements of claims pursuant to the TCA. Indeed, while occasionally acknowledging that Westinghouse brought an action for trademark counterfeiting, rather than for infringement, *see, e.g.*, 106 F.3d at 899,[4] the Ninth Circuit panel at no point in the opinion cites any of the provisions of the TCA. Instead, the Ninth Circuit held that a defendant can be held liable in a trademark counterfeiting claim for precisely the same activity as would support liability for a generic section 1114 infringement claim. *See id.* (holding that a trademark counterfeiting claim reaches the same conduct as a section 1114(1)(a) claim). This, of course, is wrong. A defendant violates the TCA only when it intentionally uses a counterfeit mark, as defined in the Act, knowing it to be counterfeit. As demonstrated by the facts of this case, the requirement that the trademark actually be counterfeit is, contrary to the Ninth Circuit's assumption, not trivial. One who sells a reconditioned good in the marketplace without labeling it as reconditioned may be causing a likelihood of confusion either out of laziness, negligence, or deliberate intent — when, as here, however, he goes to the trouble of creating counterfeit trademarks and applying them without authorization to his products, he removes all doubt as to the innocence of his motives.

In its decision below, the Ninth Circuit panel defines "counterfeit" without reference to the definition set forth in the TCA. Instead, the panel simply ignores the statutory definition, set forth at 15 U.S.C. § 1116(d)(1)(B), and

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[4]The panel also at times describes Westinghouse's claim as a trademark infringement claim. *E.g.*, 106 F.3d at 896. The panel's failure to describe the claim properly is consistent with is fundamental error in failing to recognize that infringement and counterfeiting claims have distinct elements.

weaves its own definition of "counterfeit" out of whole cloth. Thus, the panel acknowledges that "[t]he original Westinghouse labels are not themselves 'counterfeits' in the literal sense." 106 F.3d at 899. However, based on nothing more than reference to the "purposes" of section 1114 (which are, of course, distinct from the purposes underlying the TCA, the statute at issue), the panel concludes that "the duplicate/original distinction is not relevant to a trademark counterfeiting claim." *Id.*

Congress enacted the TCA to address the specific harms of counterfeiting. Because of its severe penalties, Congress reasonably limited the TCA's reach to instances in which defendants use "counterfeit marks" as defined in the TCA. In its opinion, however, the Ninth Circuit supplanted the statutory definition of "counterfeit marks" with its own — one that is unsupported by any relevant legal authority and bears no relationship to the terms of the statute.[5]

The Ninth Circuit opinion dramatically expands the reach of the TCA, implicitly authorizing *ex parte* seizures and treble damages in any circumstances that would support a general infringement claim under section 1114. The effect is to thwart Congressional intent by writing the limitations of the TCA out of existence. Moreover, the opinion conflicts with the Eleventh Circuit opinion in *Babbit*, which explicitly recognizes that a claim under the TCA can succeed only in the limited circumstances set forth in the statute. As a consequence of this split, a plaintiff in the Ninth Circuit can

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[5]The Ninth Circuit's analysis also conflicts with how Congress understood the term "counterfeit mark." See Trademark Counterfeiting Act of 1984: Hearings on H.R. 2447 Before the Subcommittee on Crime of the House Committee on the Judiciary, 98th Cong., 1st Sess. 12 (statement of James L. Bikoff, President, the International Anti-Counterfeiting Coalition) (describing commercial counterfeiting as the practice of placing a false trademark on a product, thereby making the product superficially indistinguishable from the genuine article).

obtain an *ex parte* seizure order and treble damages without offering evidence of the intentional use of a "counterfeit mark," as defined in the statute. Indeed, under the Ninth Circuit view, misuse of an original mark, as opposed to a counterfeit, supports a cause of action for trademark counterfeiting. By contrast, a plaintiff in the Eleventh Circuit (and presumably all others as well) must prove the elements actually required by the statute.

Reasons for Granting the Petition as to the Second Question

The Ninth Circuit Opinion Is Inconsistent With This Court's Decision In Dunn And Is Inconsistent With Rule 50 Of The Federal Rules Of Civil Procedure

The Ninth Circuit panel's confusion with regard to the distinctions between a generic infringement claim and a claim for trademark counterfeiting under the TCA led it to commit another legal error, this one of constitutional magnitude. Because both the district and the appellate courts conflated the elements of Westinghouse's two separate Lanham Act claims, both courts perceived an "inconsistency" between the jury's verdict on the unfair competition claim (which the jury found was barred by several equitable defenses) and the verdict on the counterfeiting claim (which the jury found was not barred by any equitable defenses). *See 852 F. Supp. at 887;* 106 F.3d at 903.[6]

[6] In fact, these verdicts were perfectly consistent under a variety of theories. For example, the jury could have concluded that Westinghouse knew or should have known about defendants' sale of reconditioned breakers without disclosing their condition, but neither knew nor should have known about the affirmative acts of counterfeiting Westinghouse labels to facilitate customer confusion as to the condition of the products. Alternately, the jury could have found that, regardless of Westinghouse's knowledge, the defendants were disqualified from asserting equitable defenses to the counterfeiting claim because this affirmative conduct evidenced bad faith or wrongful intent on the part of

Based solely on the perceived inconsistency, which the district and appellate courts attributed to instructional error, the district court *reversed* the jury verdict on the counterfeiting claim. Defendants, however, had not made a motion for judgment as a matter of law pursuant to Fed. R. Civ. P. 50, nor had they otherwise challenged the legal sufficiency of Westinghouse's evidence in support of the counterfeiting claim. Even the district court itself acknowledged that "[t]he jury's answers were absolutely consistent with both the instructions and the evidence presented." 852 F. Supp. at 887.

The Ninth Circuit panel nonetheless affirmed the district court's reversal of the jury verdict, reasoning as follows:

> [W]here an identifiable error affected only one of the jury verdicts, and the factual findings necessarily determined by the jury can be discerned from the other verdicts, there is nothing to be gained from a new trial. In these circumstances, a trial court may apply the correct law to the jury's implicit factual findings and enter judgment accordingly.

106 F.3d at 903. The Constitutional error in the Ninth Circuit's reasoning is its erroneous belief that a trial court can glean the factual findings underlying a jury's verdicts, even where, as here, the jury does not render *any* findings apart from the verdicts themselves.

In parsing the jury's verdicts as it did, the Ninth Circuit lost sight of the fundamental principle that courts have an obligation to uphold jury verdicts supported by sufficient evidence, even when they are inconsistent with verdicts as to other claims. Rather than asking the critical question of

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defendants, which bad faith was not inherent in defendants' mere acts of omission, *i.e.*, their acts of unfair competition in selling used and reconditioned breakers bearing original Westinghouse trademarks without disclosing that they were non-new.

whether the jury's verdicts in Westinghouse's favor were justified by the evidence in the record, the Ninth Circuit instead asked whether the district court's *reversal* of the jury's verdicts could be justified as a proper exercise of the trial court's authority.

Thus, like the district court, the Ninth Circuit assumed that the jury's verdicts with regard to the non-counterfeiting claims were its "true" verdicts, and proceeded to deduce the jury's "implicit factual findings" on the basis of such verdicts. The Ninth Circuit then concluded that these "implicit factual findings" inherent in the non-counterfeiting claims were inconsistent with a verdict in Westinghouse's favor on its counterfeiting claim and conformed the verdicts on the former claims to agree with the verdict on the latter.

The Ninth Circuit's conclusion necessarily flows from its starting point. Had the Ninth Circuit instead started from the premise that the counterfeiting verdicts were instead the jury's "true" verdicts, it could just as easily have determined that the "implicit factual findings" underlying those verdicts were inconsistent with the verdicts on the non-counterfeiting claims, and reconciled the latter to conform to the former.

It is precisely to avoid the situation here, where a court selects from among a variety of possible interpretations of a jury's verdicts the interpretation the court prefers, that the Seventh Amendment prohibits district courts from probing the thought processes of jurors in search of "implicit factual findings." *See United States v. Heimann*, 705 F.2d 662, 670 (2d Cir. 1983). Where a jury reaches seemingly inconsistent verdicts on different claims, it is simply impossible to determine what was in the collective mind of the jury: the decision might have resulted from lenity, compromise, or some perceived distinction among the different causes of action. *See United States v. Powell*, 469 U.S. 57, 65 (1984); *Merchant v. Ruhle*, 740 F.2d 86, 90 (1st Cir. 1984).

Courts cannot blithely disregard juries' unanimous judgments as to who should win and who should lose a case. Nor can a court presume to know which of a pair of "inconsistent" verdicts is correct. As Judge Easterbrook has written,

> Plaintiffs may not simply assume . . . that the "right" verdicts are the ones in [their] favor. The problem here is inconsistency, not a judgment in the teeth of the evidence . . . . The plaintiffs are not entitled to judgment notwithstanding the verdict or a new trial unless no rational jury could have brought back a verdict for the defendants . . . . The evidence here was conflicting; a verdict against all 12 plaintiffs would have been sustained, as a verdict for all 12 defendants would have been.

Will v. Comprehensive Accounting Corp., 776 F.2d 665, 678 (7th Cir. 1985). Because the jury's thought processes are inherently unknowable, a court cannot choose to uphold some of the jury's verdicts but not others — so long as the verdicts are supported by substantial evidence, they must be accepted. *See Borel v. Fibreboard Paper Prods. Corp.*, 493 F.2d 1076, 1094 (5th Cir. 1973) (inconsistent general verdicts are "the jury's prerogative if . . . there is evidence to support the finding reached by the jury").

As this Court has noted, although inconsistencies between verdicts on different claims may "present a situation where 'error' . . . most certainly has occurred . . . it is unclear whose ox has been gored." Powell, 469 U.S. at 65. Accordingly,

> an individual assessment of the reason for the inconsistency would be based either on pure speculation, or would require inquiries into the jury's deliberations that courts generally will not undertake . . . . [O]nce the jury has heard the evidence and the case has been submitted, the litigants must accept the jury's collec-

> tive judgment. Courts have always resisted inquiring into a jury's thought processes.

Id. at 66-67; *Merchant*, 740 F.2d at 90 ("inconsistent verdicts represent two unanimous determinations . . . that liability existed [and] that in view of mitigating or other factors, damages should be limited to something less than full consequences").

Thus, the Ninth Circuit's judgment contravenes years of settled Supreme Court and circuit court authority. When a federal court is faced with seemingly inconsistent verdicts, its inquiry is limited to determining whether each of the verdict is supported by sufficient evidence; the inconsistency in verdicts on different claims, by itself, does not create an impediment to judgment. *See Dunn v. United States*, 284 U.S. 390, 393-94 (1932) ("Consistency in the verdict is not necessary . . . . That the verdict may have been the result of compromise, or of a mistake on the part of the jury, is possible. But verdicts cannot be upset by speculation or inquiry into such matters.").

Dunn was a criminal case. Although this Court has never expressly extended its holding to civil cases, a number of circuit courts have done so.[7] *See United States Football League v. National Football League*, 842 F.2d 1335, 1353 n.17 (2d Cir. 1988) ("inconsistent verdicts in a civil case are fully permissible"); *Lusby v. T.G. & Y. Stores, Inc.*, 749 F.2d 1423, 1434 n.6 (10th Cir. 1984) (inconsistency among claims "does not require reversal of the judgment . . . so long as there is sufficient evidence to support the jury's verdict on the claim on which they found liability"); *Hines v. IBG Int'l Inc.*, 813 F.2d 1331, 1334 (4th Cir. 1987) (even if a jury's "verdicts are inscrutable . . . their apparent inconsistency is

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[7] A grant of review in this case would allow this Court to decide this important question and put to rest any uncertainty about the breadth of the *Dunn* holding.

not fatal"); *Merchant v. Ruhle*, 740 F.2d 86, 91 (1st Cir. 1984) (noting that federal courts show "substantial reluctance to consider inconsistency in civil jury verdicts a basis for new trials"); 6A Moore, Federal Practice, § 59.08[4] at 59-130 (2d ed. 1995) ("if a verdict for or against a party is proper[,] that verdict should not be set aside because the jury, albeit inconsistently, did not similarly find on another claim").

The Ninth Circuit opinion gives short shrift to these important concerns. While recognizing that "in most cases where a jury renders inconsistent verdicts, the trial judge must allow those verdicts to stand," 106 F.3d at 903, the opinion establishes an unprecedented exception to that long established rule: it is acceptable to reverse an amply supported jury verdict when the trial court thinks it can discern the jury's "implicit factual findings" based on the court's supposition as to what the jury "must have" intended, and then to apply the law to those implied factual findings. *Id.* Westinghouse is aware of no other circuit opinion establishing a similar exception to the well-settled rule of tolerance for inconsistent verdicts.

The Ninth Circuit panel's "exception" to the *Dunn* rule also provides an end-run around the strict dictates of Fed. R. Civ. P. 50(a)(1), which sets forth the conditions under which a trial court can grant judgment as a matter of law.[8] Pursuant to Rule 50, a court can grant to a moving party judgment as a matter of law only when "there is no legally sufficient evidentiary basis for a reasonable jury to find for *that* party on *that* issue." *Id.* (emphasis added). Judgment as a matter of law cannot be entered when a verdict is based on "such relevant evidence as reasonable minds might

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[8] Westinghouse believes that, in reversing the jury verdict, the district court essentially granted the defendants judgment as a matter of law on the trademark counterfeiting claim, notwithstanding that defendants had made no motion or request for such relief.

accept as adequate to support a conclusion even if it is possible to draw two inconsistent conclusions from the evidence." *Landes Constr. Co. v. Royal Bank of Canada*, 833 F.2d 1365, 1366-67 (9th Cir. 1987). Here, of course, the district court made no such finding. To the contrary, as stated above, it explicitly found that all jury verdicts were "absolutely consistent with both the instructions and the evidence presented." *See* 852 F. Supp. at 887.

The Ninth Circuit panel attempts to justify its departure from Supreme Court and sister circuit precedent by reference to the limited circumstances of this case. *See, e.g.*, 106 F.3d at 902 ("the facts of this case present a seemingly rare situation"). Respectfully, however, no set of facts, regardless of their apparent rarity, could justify the panel's refusal to abide by the rule of *Dunn* and its progeny. Nor can any set of facts justify a court's granting judgment as a matter of law absent a finding that the verdict reversed is unsupported by the evidence. The Ninth Circuit opinion sanctions both these departures from settled law. This Court should therefore grant review to clarify that the *Dunn* rule admits of no exceptions, and that trial courts cannot reverse a seemingly inconsistent jury verdict, except in those situations that would justify the grant of judgment as a matter of law.

CONCLUSION

The petition for writ of certiorari should be granted.

Dated June 25, 1997

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APPENDIX A

APPENDIX A

WESTINGHOUSE ELECTRIC CORPORATION,
Plaintiff-Counter-Defendant-Appellant,

v.

GENERAL CIRCUIT BREAKER & ELECTRIC SUPPLY INC.;
AC CIRCUIT BREAKER-ELECTRIC SUPPLY, INC.;
GENERAL CIRCUIT BREAKER & ELECTRIC SUPPLY INC.;
XAVIER CONTRERAS; PENCON INTERNATIONAL, INC.;
GENERAL MAGNETICS/ELECTRIC WHOLESALE;
THE ESTATE OF CHARLEY CONTRERAS;
PANELBOARD SPECIALTIES WHOLESALE ELECTRIC, INC.;
JAIME A. CONTRERAS,
Defendants-Appellees,

JOE A. CONTRERAS,
Defendant-Counter-Claimant-Appellee.

IN RE CIRCUIT BREAKER LITIGATION

WESTINGHOUSE ELECTRIC CORPORATION,
Plaintiff-Counter-Defendant-Appellant,

v.

AC CIRCUIT BREAKER-ELECTRIC SUPPLY, INC.; JOE A.
CONTRERAS; GENERAL CIRCUIT BREAKER & ELECTRIC
SUPPLY INC.; XAVIER CONTRERAS; PENCON
INTERNATIONAL, INC.; THE ESTATE OF CHARLEY
CONTRERAS; PANELBOARD SPECIALTIES WHOLESALE
ELECTRIC, INC.; GENERAL MAGNETICS/ELECTRIC
WHOLESALE; JAIME A. CONTRERAS,
Defendants-Counter-Claimants-Appellees.

WESTINGHOUSE ELECTRIC CORPORATION,
Plaintiff-Counter-Defendant-Appellee,

v.

GENERAL CIRCUIT BREAKER & ELECTRIC SUPPLY INC.; JOE A. CONTRERAS; AC CIRCUIT BREAKER-ELECTRIC SUPPLY, INC.; GENERAL CIRCUIT BREAKER & ELECTRIC SUPPLY INC.; XAVIER CONTRERAS; PENCON INTERNATIONAL, INC.; GENERAL MAGNETICS/ELECTRIC WHOLESALE; THE ESTATE OF CHARLEY CONTRERAS,
Defendants-Counter-Claimants,

and

PANELBOARD SPECIALTIES WHOLESALE ELECTRIC, INC.; JAIME A. CONTRERAS,
Defendants-Counter-Claimants-Appellants.

WESTINGHOUSE ELECTRIC CORPORATION,
Plaintiff-Counter-Defendant-Appellee,

v.

GENERAL CIRCUIT BREAKER & ELECTRIC SUPPLY INC.; JOE A. CONTRERAS; AC CIRCUIT BREAKER-ELECTRIC SUPPLY, INC.; GENERAL CIRCUIT BREAKER-ELECTRIC SUPPLY INC.; XAVIER CONTRERAS; PANELBOARD SPECIALTIES WHOLESALE ELECTRIC, INC.; JAIME A. CONTRERAS,
Defendants-Counter-Claimants,

and

Pencon International, Inc.;
General Magnetics/Electric Wholesale;
The Estate of Charley Contreras,
Defendants-Counter-Claimants-Appellants.

IN RE CIRCUIT BREAKER LITIGATION

WESTINGHOUSE ELECTRIC CORPORATION,
Plaintiff-Counter-Defendant-Appellant-Cross-Appellee,

v.

GENERAL CIRCUIT BREAKER & ELECTRIC SUPPLY CO.; XAVIER CONTRERAS; AC CIRCUIT BREAKER-ELECTRIC SUPPLY, INC.; JOE A. CONTRERAS; PENCON INTERNATIONAL, INC.; THE ESTATE OF CHARLEY CONTRERAS; GENERAL MAGNETICS/ELECTRIC WHOLESALE; PANELBOARD SPECIALTIES WHOLESALE ELECTRIC, INC.; JAIME A. CONTRERAS,
Defendants-Counter-Claimants-Appellees-Cross-Appellants.

Nos. 94-56436, 94-56709, 94-56765, 94-56769, 94-56771.

United States Court of Appeals, Ninth Circuit.

Argued and Submitted Oct. 8, 1996.

Decided Feb. 10, 1997.

Order Amending Caption and Denying Rehearing and Rehearing En Banc March 27, 1997.

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Mark D. Rutter (argued), Moore, Rutter & Evans, Long Beach, CA, and Michael J. Emling, Law Offices of Michael J. Emling, Long Beach, CA, for defendants-appellees-cross-appellants Pencon International, Inc., General Magnetics/Electric Wholesale, and the Estate of Charley Contreras.

Appeals from the United States District Court, for the Central District of California, Richard A. Gadbois, District Judge, Presiding. D.C. Nos. CV-88-03012-RG, CV-88-03012-RG-2.

Before: BRUNETTI, TROTT and THOMAS, Circuit Judges.

TROTT, Circuit Judge.

I. OVERVIEW

This appeal arises from a suit brought by Westinghouse Electric Corporation ("Westinghouse") against several electronics vendors ("defendants") for reselling used Westinghouse circuit breakers after reconditioning them and attaching labels bearing the Westinghouse trademark.[1] After a jury trial, the district court entered judgment in favor of the defendants on all of Westinghouse's claims. In reaching this judgment, the district court upset one jury verdict in favor of Westinghouse on its trademark infringement claim. The district court concluded that this verdict had resulted from an erroneous jury instruction regarding the elements necessary to prove the defendants' affirmative defenses of estoppel, acquiescence, and laches. That instruction had required the defendants to show that Westinghouse knew the defendants were copying the Westinghouse trademark — rather than merely using an original trademark

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[1]The cross-appellants' motions for leave to file final supplemental excerpts are granted.

without permission — in order to establish their affirmative defenses. To correct the instructional error, the district court examined the pattern of jury verdicts, determined the facts necessarily found by the jury in reaching those verdicts, and applied the correct law to those implicit factual findings. This application led the district court to set aside the jury's verdict on the trademark infringement claim and enter judgment in favor of the defendants on all claims.

On appeal, Westinghouse argues that the district court erred: 1) by concluding that the jury instructions misstated the law; 2) by upsetting the jury verdict as a remedy for the instructional error rather than ordering a new trial; and 3) by denying Westinghouse's request to permanently enjoin the defendants from misusing the Westinghouse trademark. We agree with the district court's holding that the jury instructions focused the jury's attention on an irrelevant concern — whether Westinghouse knew the labels were duplicated rather than simply used without permission. Because in the limited circumstances of this case it is possible to determine the jury's implicit factual findings from the pattern of verdicts and thereby to remedy the prejudice caused by the flawed instructions, we affirm the district court's entry of judgment against Westinghouse. Also, because the district court's reasons for denying the permanent injunction are legally sufficient and well-supported by the record, we affirm the district court's order denying the injunction.

II.
FACTUAL AND PROCEDURAL BACKGROUND

A. The Parties

Westinghouse manufactures "molded case circuit breakers," safety devices that interrupt electrical flow in the event of an overload or short-circuit. Westinghouse attaches labels

to each breaker. The labels bear the Westinghouse trademark and, as required by various electrical codes and standards, provide information about the breaker's electrieal characteristics.

The defendants are vendors of circuit breakers who recondition, and then resell, used in Westinghouse breakers. Prior to this case, and as part of the reconditioning process, the defendants typically cleaned the breakers and sometimes replaced the internal components. In addition, when the breaker labels were faded or otherwise illegible, the defendants often replaced the labels. The defendants would obtain replacement labels from Westinghouse employees or would make copies of the original labels. The labels attached by the defendants never noted the breakers had been reconditioned; they bore the same information as the original label, including the Westinghouse trademark.

B. The Trial and the Jury Verdicts

In 1988, Westinghouse brought suit against the defendants for: (1) trademark counterfeiting under section 32 of the Lanham Act, 15 U.S.C. §1114 ("trademark counterfeiting") claim); (2) unfair competition under section 43 of the Lanham Act, 15 U.S.C. §1125 ("unfair competition" claim); and (8) unfair competition and trademark dilution under California law ("state law" claims). Westinghouse sought a permanent injunction forbidding the defendants from reproducing its trademarks and requiring them to disclose the condition of the breakers they sell. Westinghouse also sought damages for past infringement.

The defendants admitted the acts underlying Westinghouse's claims — that they had sold reconditioned breakers bearing the Westinghouse mark without noting they had been reconditioned. The defendants argued, however, that they never intended to deceive anyone; they only intended to comply with regulations requiring the breakers to bear labels

describing their electronic characteristics. The defendants also argued Westinghouse knew or should have known the defendants were selling reconditioned breakers bearing the Westinghouse mark, because Westinghouse itself knowingly purchased reconditioned breakers from the defendants and resold them without labelling them as reconditioned. Based on this evidence, the defendants raised several affirmative defenses, including estoppel, laches, acquiescence, and unclean hands.

Following trial, the jury received four verdict forms, one for each defendant. For each of Westinghouse's five claims, the form asked the jury to determine whether Westinghouse had proved the claim and then whether the defendant had proved any affirmative defenses to that claim. The form did not require the jury to make express findings of fact. Rather, it simply asked the jury to make separate legal conclusions regarding each of Westinghouse's claims and the affirmative defenses to those claims.

On July 16, 1993, the jury returned its verdict forms. The forms indicated that Westinghouse had established both its unfair competition claim and its trademark counterfeiting claim, as well as one of their state law claims. The forms also stated, however, that defendants had established affirmative defenses to all of Westinghouse's claims except the trademark counterfeiting claim.

C. The District Court Judgment

The district court was perplexed by the jury's seemingly contradictory verdicts on the defendants' affirmative defenses. The district court observed that "evidence [that the affirmative defenses applied to the unfair competition claim] also should have mandated the same result on the [trademark counterfeiting] claim, since [an unfair competition] claim completely subsumes a [trademark counterfeiting] claim." *In re Circuit Breaker Litig.*, 852 F.Supp. 883,

887 (C.D.Cal. 994). Upon further reflection, however, the court concluded that "[t]he jury's answers were absolutely consistent with both the instructions and the evidence presented." *Id.* The critical difference between the defenses to the trademark infringement claim and to the unfair competition claim, the district court held, lay in the jury instruction regarding the elements needed to prove each defense. *Id.* at 887-88.

Jury instruction number 65, which was proposed by Westinghouse and given by the court over the defendants' timely objection, required the defendants to show Westinghouse knew or should have known the defendants were duplicating Westinghouse labels, rather than merely using originals, in order to establish their affirmative defenses to trademark counterfeiting. By contrast, the instruction did not require the defendants to prove Westinghouse knew they were copying labels to establish their defenses to the unfair competition claim; they only needed to prove Westinghouse knew they were using the Westinghouse mark.[2] Thus, the additional element of duplication required by instruction 65 for the trademark counterfeiting claim logically explained the jury's disparate treatment of the two claims.

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[2] Instruction 65 stated:

> [T]o sustain their defenses as to plaintiff's unfair competition and trademark dilution claims, defendants must prove that plaintiff knew or should have known all the facts giving rise to these particular claims, namely that defendants were selling used and reconditioned Westinghouse molded case circuit breakers without adequate disclosure of their condition.
>
> * * * * * *
>
> In order to sustain their laches, estoppel and acquiescence defenses against plaintiff's trademark counterfeiting claim, defendants must prove that plaintiff knew or should have known all the facts giving rise to this particular claim, namely *that defendants were copying the Westinghouse trademark* and applying them to used and reconditioned molded case circuit breakers that were sold in commerce without adequate disclosure of their condition. (Emphasis added).

The problem with the verdicts, the district court concluded, was that the jury instruction misstated the elements needed to prove affirmative defenses to Westinghouse's trademark counterfeiting claim. To establish affirmative defenses to the trademark counterfeiting claim, the district court held, defendants needed only to prove that Westinghouse knew defendants were using the Westinghouse mark, whether or not the marks were copied. Thus, the district court concluded that jury instruction number 65 misstated the law and that the error caused the jury's verdict in favor of Westinghouse.

To remedy the prejudice caused by the erroneous instruction, the district court identified from the pattern of jury verdicts the facts necessarily found by the jury and then applied the correct law to those facts. Because the jury found for the defendants on the affirmative defenses to the unfair competition claim, the district court concluded the jury necessarily found that Westinghouse knew or should have known that the defendants were selling reconditioned breakers bearing the Westinghouse mark without labelling them as reconditioned. *See* Jury Instruction Number 65, note 1, *supra*. The district court held that this implicit factual finding was also sufficient as a matter of law to establish the defendants' affirmative defenses to the trademark counterfeiting claim. Accordingly, rather than ordering a new trial, the district court entered judgment in favor of the defendants on all claims. 852 F.Supp. at 897.

D. The Denial of Injunctive Relief

On August 22, 1995, following subsequent hearings, the district court also denied the plaintiff's motion for permanent injunctive relief. *In re Circuit Breaker Litig.*, 860 F.Supp. 1453 (C.D.Cal.1994). The district court held that a permanent injunction was not warranted, because the defendants had established affirmative defenses to the trade-

mark claims; because Westinghouse had not shown the defendants were likely to infringe in the future; and because the defendants had innocently infringed without substantially harming the public. *Id.* at 1456.

III. DISCUSSION

A. Instruction 65

As the district court indicated in its opinion, "instruction 65 [is] the fulcrum of this case." 852 F.Supp. at 892. We must first determine whether instruction 65 misstated the law by requiring the defendants to prove Westinghouse knew that the defendants were copying its trademark, as opposed to simply using the original mark without permission. Whether a jury instruction misstates the elements that must be proved at trial is a question of law, which we review de novo. *Caballero v. City of Concord,* 956 F. 2d 204, 206 (9th Cir.1992).

To establish their equitable defenses of estoppel, laches, and acquiescence, the defendants had to prove Westinghouse knew of facts giving it notice of its trademark counterfeiting cause of action, not just any cause of action. *Cf. Hobson v. Wilson,* 737 F.2d 1, 35 (D.C.Cir.1984) (holding that for constructive discovery of a cause of action to trigger the statute of limitations, the plaintiff must know facts giving notice of the particular cause of action at issue), *cert. denied,* 470 U.S. 1084, 105 S.Ct. 1843, 85 L.Ed.2d 142 (1985). Whether the defendants were required to prove Westinghouse knew they were duplicating labels thus turns on the question of whether trademark duplication is a necessary element — as opposed to a mere detail — of Westinghouse's trademark counterfeiting claim. In other words, if Westinghouse is required to prove the defendants were duplicating the Westinghouse mark in order to establish its trademark counterfeiting cause of action, then the

defendants are required to prove Westinghouse knew they were duplicating the mark to establish equitable defenses to that cause of action. Because the duplicate/original distinction is not relevant to a trademark counterfeiting claim, we affirm the district court's holding that the defendants were not required to prove that Westinghouse knew they were duplicating labels.

Section 1114 of the Lanham Act, which establishes the trademark counterfeiting cause of action, prohibits the use of "any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale of any goods [where] such use is likely to cause confusion . . . or to deceive." 15 U.S.C. § 1114(1)(a). Westinghouse argues that misuse of *original* marks (as opposed to copied marks) does not constitute trademark counterfeiting, because original labels are not a "reproduction, counterfeit, copy, or colorable imitation." As a result, Westinghouse contends instruction 65 was correct in requiring the defendants — in order to establish their affirmative defenses — to prove Westinghouse knew, or should have known, the defendants were photocopying the Westinghouse labels, not just that they were misusing original Westinghouse labels.

The original Westinghouse labels are not themselves "counterfeits" in the literal sense. But the aim of section 1114 is broader than the prohibition of "counterfeiting." The statute was intended "to protect consumers against deceptive designations of the origin of goods," not just to prevent the duplication of trademarks. *International Order of Job's Daughters v. Lindeburg & Co.*, 633 F.2d 912, 918 (9th Cir.1980), *cert. denied*, 452 U.S. 941, 101 S.Ct. 3086, 69 L.Ed.2d 956 (1981); *see also Beer Nuts, Inc. v. King Nut Co.*, 477 F.2d 326, 329 (6th Cir.) ("The essence of the wrong of trademark infringement is the passing off of the goods of one as those of another."), *cert. denied*, 414 U.S. 858, 94 S.Ct. 66, 38 L.Ed.2d 108 (1973). Thus, the impor-

tant test is whether the practice of the defendant is likely to cause confusion, not whether the defendant duplicated the plaintiff's mark. *Continental Motors Corp. v. Continental Aviation Corp.*, 375 F.2d 857, 861 (5th Cir.1967) ("Confusion, or the likelihood of confusion . . . is the real test of trademark infringement."); 1 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 2.03 (3d ed. 1996) ("Whatever route one travels, whether by trademark infringement or unfair competition, the signs give direction to the same enquiry — whether defendant's acts are likely to cause confusion.").

Of course, a copy of a mark is no more likely to confuse the public than is the original; in fact, the public is more likely to be deceived by an original mark because it serves as a perfect imitation. In short, the distinction between using a duplication versus using an original has no relevance to the purposes of trademark law. When an original mark is attached to a product in such a way as to deceive the public, the product itself becomes a "counterfeit" just as it would if an imitation of the mark were attached.

In *General Electric Company v. Speicher*, 877 F.2d 531 (7th Cir.1989), the Seventh Circuit held that the act of placing non-General Electric products in boxes that General Electric had stamped with its registered "GE" trademark qualified as the use of a "reproduction, counterfeit, copy, or colorable imitation" of the mark. As Judge Posner explained:

> We can see no difference, so far as the objectives of section 1114(1)(a) are concerned, between [unauthorized use of GE's original trademark] and making a reproduction of GE's trademark. The happenstance of having trademarks made by the owner in one's possession, so that one doesn't have to copy them, has no relevance to the purposes of the statute. Indeed, the

> danger of confusion is even greater because the "imitation" is not merely colorable, but perfect. The more fundamental point is that the purpose of trademark law is not to guarantee genuine trademarks but to guarantee that every item sold under a trademark is the genuine trademarked product, and not a substitute.

Id. at 534.

Other circuits have also held that the unauthorized use of an original trademark can qualify as trademark counterfeiting. *See Burger King Corp. v. Mason*, 710 F.2d 1480, 1491 (11th Cir.1983) (holding franchisee liable for displaying the original Burger King marks after its right to do so had been revoked), *cert. denied*, 465 U.S. 1102, 104 S.Ct. 1599, 80 L.Ed.2d 130 (1984); *El Greco Leather Prod. Co. v. Shoe World, Inc.*, 806 F.2d 392, 396 (2d Cir.1986) (holding shoe manufacturer liable for selling shoes bearing the genuine Candie's trademark after its contract with Candie's had been cancelled), *cert. denied*, 484 U.S. 817, 108 S.Ct, 71, 98 L.Ed.2d 34 (1987). Many district courts have found parties using original trademarks liable for trademark infringement as well. *See Interstate Battery Sys. of Am., Inc. v. Wright*, 811 F.Supp. 237, 244 (N.D.Tex.1993) (holding defendant liable for trademark counterfeiting where defendant affixed original stickers or labels acquired from the manufacturer to batteries not manufactured by authorized manufacturers); *Adolph Coors Co. v. A. Genderson & Sons, Inc.*, 486 F.Supp. 131, 135 (D.Colo.1980) (holding defendant liable under section 1114 for transporting and selling Coors beer in the original trademarked packages without maintaining the quality control standards of Coors).

The logic of these holdings is consistent with the "keystone" of trademark law: the likelihood of confusion in the minds of the buying public. *See* McCarthy, *supra*, § 2.03. Accordingly, we adopt the reasoning of these opinions and hold that instruction 65 misstated the elements required to

prove affirmative defenses to a trademark counterfeiting claim. Because duplication of the trademark is not an element of the trademark counterfeiting claim, the defendants were not required to prove that Westinghouse knew, or should have known, the defendants were duplicating labels in order to establish their equitable defenses.

We emphasize that our holding does not give license to defendants to duplicate trademarks. The defendants escaped liability in this case only because they proved Westinghouse knew or should have known they were using the Westinghouse trademark. In other words, Westinghouse did establish its claim for trademark infringement based on the defendants' conduct in selling reconditioned breakers bearing the Westinghouse trademark, but that claim was overcome by the defendants' affirmative defenses.

B. The District Court's Remedy for the Erroneous Instruction

To remedy the harm caused by the flawed instruction, the district court studied the factual findings implicit in the pattern of jury verdicts. The district court then used the factual findings necessarily determined by the jury in reaching its other verdicts as the basis for reversing the sole verdict in favor of Westinghouse. Whether it is permissible for a trial judge to disrupt the jury verdict on this basis is a question of law, which we review de novo.

The answer to this question derives from the most basic of principles regarding the respective roles of judge and jury: juries find the facts and judges determine the law. We must determine whether the trial judge overstepped the boundary dividing these roles when he changed the jury verdicts to accord with the jury's implicit factual findings. In the limited circumstances of this case, we hold that the judge did not.

In interpreting jury verdicts, we must assume that the jury followed the trial court's instructions. *Aspen Skiing Co. v. Aspen Highlands Skiing Corp.*, 472 U.S. 585, 604, 105 S.Ct. 2847, 2858, 86 L.Ed.2d 467 (1985); *see also Parker v. Randolph*, 442 U.S. 62, 75 n. 7, 99 S.Ct. 2132, 2141 n. 7, 60 L.Ed.2d 713 (1979) ("The 'rule' — indeed, the premise upon which the system of jury trials functions under the American judicial system — is that juries can be trusted to follow the trial court's instructions."). Therefore, we must assume the jury found certain facts when it found the defendants had established affirmative defenses to Westinghouse's unfair competition claim. Specifically, in accord with the correct portion of instruction 65, the jury must have found that Westinghouse knew or should have known "the defendants were selling used and reconditioned Westinghouse molded case circuit breakers without adequate disclosure of their condition." *See* Jury Instruction Number 65, note 1, *supra*. This finding of fact was necessarily determined by the jury and essential to their judgment on the unfair competition claim. Because this finding also supports the legal conclusion that the defendants established their affirmative defenses to the trademark counterfeiting claim, it was logically appropriate for the trial judge to enter judgment on the trademark counterfeiting claim in favor of defendants.

The district court's actions are directly analogous to the ordinary application of issue preclusion. Under the doctrine of issue preclusion, a court can enter judgment as to issues that were actually litigated and determined in a prior adjudication, so long as the determination was a necessary part of the judgment in the earlier action. *Clark v. Bear Stearns & Co.*, 966 F.2d 1318, 1320 (9th Cir.1992). Furthermore, the judge is allowed to draw necessary inferences from the prior adjudication in order to determine whether an issue was actually decided.

> [W]here the court has made no express findings on issues raised by the pleadings or the evidence, the court in the second case may infer that in the prior action a determination appropriate to the judgment rendered was made as to each issue that was so raised and the determination of which was necessary to support the judgment.

1B James WM. Moore *et al.*, Moore's Federal Practice ¶ .443(4), at III.-581 (2d ed. 1984); *see also Chew v. Gates*, 27 F.3d 1432, 1438 (9th Cir.1994) ("*Necessary* inferences from the judgment, pleadings, and evidence will be given preclusive effect . . . Where the prior judgment was based on a general verdict, the inquiry is whether rational jurors must necessarily have determined the issue as to which estoppel is sought.") (citations omitted), *cert. denied*, — U.S. — , 115 S.Ct. 1097, 130 L.Ed.2d 1065 (1995). Similar to traditional issue preclusion analysis, the district court in this case merely drew inferences from the verdicts to determine the issues that the presumptively rational jurors must have determined, and then used those implicit findings of fact as the basis for judgment as to certain issues.[3]

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[3] This analysis of issue preclusion also shows why ordering a new trial would produce an anomalous result. If the district court had ordered a new trial only on the trademark counterfeiting claim, the jury's earlier findings on the unfair competition claim would preclude Westinghouse from challenging the validity of the defendants' affirmative defenses. Thus, the results upon retrial would be identical to the status quo. *See Green v. American Tobacco Co.*, 325 F.2d 673, 678 (5th Cir.1963) (holding that, on retrial, the court must treat the issues validly decided by the jury's special interrogatories as conclusively established), *cert. denied*, 377 U.S. 943 (1964). On the other hand, if the district court had ordered a new trial on all of the plaintiff's claims, then the parties would have been forced to relitigate claims on which they already have valid, and undisputed, jury verdicts. *See Herber v. Johns-Manville Corp.*, 785 F.2d 79, 85-86 (3d Cir.1986) (directing re-trial only on the claims and issues affected by the trial error).

The district court's reasoning in determining whether the jury necessarily found facts establishing the defendants' affirmative defenses is also analogous to the reasoning applied in criminal cases to determine whether an instructional error was harmless. In *Carella v. California*, 491 U.S. 268, 271, 109 S.Ct. 2419, 2423-24, 105 L.Ed.2d 218 (1989) (Scalia J., concurring), for example, Justice Scalia explained that a flawed jury instruction is harmless if, despite the error, the court can determine that the jury necessarily found the elements of the crime. *See also California v. Roy*, U.S. , 177 S. Ct. 337, 339-40, 136 L.Ed.2d 266 (1996) (Scalia, J., concurring) (noting that an instructional error is harmless where the jury verdict on other points effectively embraces the elements affected by the error). As in *Carella* and *Roy*, the district court in this case examined the jury's verdicts to determine whether, despite the instructional error, the jury necessarily found all the proper elements of the defendant's affirmative defenses. Because the jury must have found the elements necessary to establish the defendants' equitable defenses, the district court appropriately entered judgment in favor of the defendants.

Westinghouse observes that the law forbids a judge from upsetting general verdicts merely because they are inconsistent as to different claims. *See Dunn v. United States*, 284 U.S. 390, 393-94, 52 S.Ct. 189, 190-91, 76 L.Ed. 356 (1932) ("Consistency in the verdict is not necessary .... That the verdict may have been the result of compromise, or of a mistake on the part of the jury, is possible. But verdicts cannot be upset by speculation or inquiry into such matters."). Because inconsistent verdicts are allowed to stand, Westinghouse argues, it is impossible to draw logical inferences from the jury verdicts. *See United States v. Heimann* 705 F.2d 662, 670 (2d Cir.1983) ("[S]ince jurors' verdicts need not be consistent it would be inappropriate to draw an inference from the pattern of verdicts as to the jury's findings ....") (citations omitted). In other words, West-

inghouse contends that, because the jury verdict could have resulted from simple mistake, a desire to "split the baby," or some other inexplicable factor, it is impossible to infer from the pattern of verdicts that the jury made certain findings of fact.

Westinghouse's argument necessarily implies that the jury disregarded its instructions. Thus, the argument directly offends well-established precedents requiring the court to presume that juries follow the law. *See Aspen Skiing Co.*, 472 U.S. at 604, 105 S.Ct. at 2858. The cases Westinghouse cites for the proposition that inconsistent verdicts must be allowed to stand all involve situations where "it is unclear whose ox has been gored;" in other words, it is impossible to tell which verdict is the correct one. *See, e.g., United States v. Powell*, 469 U.S. 57, 65, 105 S.Ct. 471, 477, 83 L.Ed.2d 461 (1984). That is not the case here. In this case, there is an identifiable error that only could have affected one of the verdicts. If we presume the jury followed their instructions, as we must, it is possible to determine the facts necessarily found by the jury and thereby to remedy the error. Thus, a court in these very limited circumstances can reconcile the verdicts without intruding upon the jury's fact-finding role.

In sum, the facts of this case present a seemingly rare situation. Despite an erroneous jury instruction, it is possible to examine the pattern of jury verdicts and logically determine what facts a rational juror must have found in order to reach those verdicts. As a result, it was possible for the trial judge to apply the correct law to these implicit factual findings and thereby to remedy the harm from the erroneous jury instruction without the expense and delay of a new trial. In circumstances such as these — where the necessary factual findings can be determined from the pattern of verdicts — justice has nothing to gain from a new trial.

C. Denial of Injunctive Relief

The Lanham Act gives courts the "power to grant injunctions, according to the principles of equity and upon such terms as the court may deem reasonable, to prevent the violation" of a registrant's rights. 15 U.S.C § 1116(a). A plaintiff is not automatically entitled to an injunction simply because it proved its affirmative claims. *Pyrodyne Corp. v. Pyrotronics Corp.*, 847 F.2d 1398, 1402 (9th Cir.) ("[T]he grant of injunctive relief is not a ministerial act flowing as a matter of course.") (citing *U.S. Jaycees v. Cedar Rapids Jaycees*, 794 F.2d 379 382 (8th Cir. 1986)), *cert. denied*, 488 U.S. 968, 109 S.Ct. 497, 102 L.Ed.2d 533 (1988).

In this case, the district court refused to enter a permanent injunction directing the defendants to follow a specific labelling program on three grounds: 1) because the defendants had proven equitable defenses to the Lanham Act claims; 2) because the defendants' infringement caused little harm in light of the effective performance of the reconditioned breakers; and 3) because the defendants are not likely to harm the public in the future given that they discontinued their relabelling practices before this litigation began more than seven years ago. *In re Circuit Breaker Litig.*, 860 F.Supp. at 1456. Westinghouse argues the district court's grounds for denying the injunction were not supported by the evidence and were insufficient to justify denying the injunction.

We review a trial court's decision to deny injunctive relief for an abuse of discretion. *Multnomah, Legal Serv. Workers Union v. Legal Serv. Corp.*, 936 F.2d 1547, 1552 (9th Cir. 1991). A district court abuses its discretion if its conclusion is based on clearly erroneous factual findings or if its decision relies on erroneous legal conclusions. *Id.* Here, the defendants' equitable defenses are in themselves sufficient to justify the district court's refusal to enter a permanent injunction. *See Pyrodyne*, 847 F.2d at 1401-03; *E-Systems,*

Inc., v. Monitek, Inc., 720 F.2d 604, 607 (9th Cir.1983) ("Laches can bar recovery in trademark or tradename actions where injunctive relief is sought.") The court's findings that the defendants were innocent infringers and that they were not likely to harm the public in the future offer additional justification for the denial, and these findings are supported by the record. *See, e.g., Volkswagenwerk Aktiengesellschaft v. Church*, 411 F.2d 350, 352 (9th Cir.1969) (denying injunction because defendant had discontinued conduct prior to trial and showed no intention of resuming). Accordingly, we hold that the district court did not abuse its discretion in denying the injunction.

IV. CONCLUSION

Instruction 65 misstated the law insofar as it required the defendants to prove Westinghouse knew they were duplicating the Westinghouse trademark in order to establish affirmative defenses to Westinghouse's trademark counterfeiting claim. Realizing the jury received erroneous instructions, the trial judge examined the pattern of jury verdicts and concluded the error was not harmless; in fact, the error determined Westinghouse's verdict on the trademark counterfeiting claim.

Ordinarily, when faced with an outcome - determinative error in instructing the jury, a trial judge should order a new trial. Moreover, in most cases where a jury renders inconsistent verdicts, the trial judge must allow those verdicts to stand because "it is unclear whose ox has been gored." *Powell*, 469 U.S. at 65, 105 S.Ct. at 477. But in the limited circumstances of this case, where an identifiable error affected only one of the jury verdicts, and the factual findings necessarily determined by the jury can be discerned from the other verdicts, there is nothing to be gained from a new trial. In these circumstances, a trial court may apply the correct law to the jury's implicit factual findings and enter

judgment accordingly without intruding upon the province of the jury. Accordingly, we affirm the district court's judgment in favor of the defendants. Also, because the defendants established affirmative defenses to Westinghouse's trademark claims, we affirm the district court's order denying a permanent injunction.

AFFIRMED.

ORDER

March 27, 1997

Square D Company's motion to amend the caption in this case is granted. The above caption has been modified as requested.

The panel as constituted in the above case has voted to deny the appellant's petition for rehearing and to reject the suggestion for rehearing en banc.

The full court has been advised of the suggestion for rehearing en banc, and no judge of the court has requested a vote on the suggestion for rehearing en banc. Fed. R.App.P. 35(b).

The petition for rehearing is denied and the suggestion for rehearing en banc is rejected.

APPENDIX B

APPENDIX B

IN RE: CIRCUIT BREAKER LITIGATION

MASTER CASE FILE NO. CV 88-03012 RG (Cx), THIS DOCUMENT RELATES TO CASE NOS. 88-6739, 88-6741, 88-6744

UNITED STATES DISTRICT COURT FOR THE CENTRAL DISTRICT OF CALIFORNIA

852 F. Supp. 883

May 16, 1994, Decided

May 17, 1994, Filed; May 18, 1994, Entered, Docketed

OPINION BY: RICHARD A. GADBOIS, JR.

OPINION: ORDER FOR JUDGMENT.

I.

Six years ago, four circuit breaker manufacturers, Square D Company, General Electric Company, Underwriters Laboratories Inc., and plaintiff Westinghouse Electric Corporation ("Westinghouse"), filed thirty cases with this Court, suing several circuit breaker reconditioners for trademark infringement, unfair competition, and state law causes of action.

Westinghouse's case against defendants Pencon International, Inc., General Magnetics/Electric Wholesale and Charley Contreras ("Pencon Defendants"), Panelboard Specialties Wholesale Electric, Inc. and Jaime A. Contreras ("Panelboard Defendants"), AC Circuit Breaker-Electrical Supply and Joe A. Contreras)"AC Circuit defendants"), and General Circuit Breaker & Electric Supply, Inc., Xavier Contreras, and Jaime A. Contreras ("GCB defendants") has been tried to a jury, and is now near a conclusion.

Many other pieces of the puzzle have yet to be tried, including defendants previously severed antitrust counter-

claims against Westinghouse, and ten separate cases involving plaintiffs Square D Company.[1] General Electric Company,[2] and Underwriters Laboratories Inc.[3] Under the Local Rules of the Central District of California, these cases will almost certainly be tried by another judge.

A. Background

Westinghouse is a major manufacturer and seller of molded case circuit breakers. Each breaker has a label bearing the Westinghouse trademark and listing information about the breaker's electrical characteristics. Some of these labels are permanent metal plates or ink-stamps; the rest are paper.

Defendants recondition and resell used Westinghouse circuit breakers. Occasionally, reconditioning requires minimal effort. At other times, defendants must replace certain components with new Westinghouse parts. Before 1988, defendants routinely replaced the breakers' seals,[4] and also

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[1]Square D Company v. General Circuit Breaker and Electric Supply, Inc., et al., CV 88-03012; Square D Company v. Panelboard Specialties Wholesale Electric, Inc. and Jaime Contreras, CV 88-06747.

[2]General Electric Company v. General Circuit Breaker and Electric Supply, Inc. and Xavier Contreras, Case No. 88-06027; General Electric Company v. Pencon International, Inc., et al., CV 88-6736; General Electric Company v. AC Circuit Breaker et al., CV 88-6732; General Electric Company v. Panelboard Specialties Wholesale Electric, Inc. et al., CV 88-6738.

[3]Underwriters Laboratories Inc. v. Pencon International, Inc., et al. CV 88-04750; Underwriters laboratories Inc. v. General Circuit Breaker and Electric Supply, et al. CV 88-06727; Underwriters Laboratories Inc. v. AC Circuit Breaker-Electric Supply, et al. CV 88-06723; Underwriters Laboratories Inc. v. Panelboard Specialties Wholesale Electric, Inc., et al. CV 88-06721.

[4]The seals indicate whether the breaker has been opened.

replaced faded or otherwise illegible paper labels.[5] Westinghouse employees gave defendants some replacement labels;[6] defendants printed the remainder themselves, or gave the job to a professional printer.

Defendants did not add a notation to any of their breakers indicating that the breakers were reconditioned. Rather, the labels on the reconditioned breakers contained the same information as the original Westinghouse labels, including the Westinghouse trademark.

In 1988, Westinghouse filed suit against defendants, asserting claims for (1) trademark counterfeiting under section 1114 of the Lanham Act; (2) unfair competition under section 1125 of the Lanham Act; (3) unfair competition under the California Business and Professions Code; (4) unfair competition under the California common law; and (5) trademark dilution under California law.

Defendants did not deny selling reconditioned breakers with the Westinghouse mark and failing to label them as reconditioned. However, defendants maintained that they had not intended to deceive anyone and that Westinghouse knew, or certainly should have known, that defendants were selling reconditioned breakers bearing the Westinghouse mark. In fact, Westinghouse itself was one of the defendants' major clients, and resold defendants' reconditioned circuit breakers without labeling them "reconditioned." Defendants asserted numerous affirmative defenses, including equitable estoppel, laches, acquiescence, and unclean hands. Defendants also contended that Westinghouse improperly sought to drive them out of business, and filed antitrust counterclaims.

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[5]When the original paper labels were in good shape or were permanent, defendants left them on the breakers.

[6]Westinghouse maintains that these employees were renegades.

B. The Trial

After Westinghouse narrowly survived a motion for summary judgment based on the affirmative defenses, a jury heard the liability phase of the case. Since defendants did not deny reconditioning and reselling breakers bearing the Westinghouse mark without designating them as reconditioned, two issues dominated the trial: 1) whether the reconditioned breakers were likely to be confused with new breakers; and 2) the affirmative defenses.

Westinghouse appeared to prevail on the first issue, demonstrating that the defendants' reconditioned breakers might be confused with new breakers. However, the evidence solidly supported defendants' affirmative defenses. They demonstrated that Westinghouse was, or should have been, abundantly aware that defendants sold reconditioned Westinghouse breakers bearing the Westinghouse mark without labelling them as reconditioned — as defendants repeatedly emphasized, Westinghouse itself was one of defendants' major customers. Westinghouse noted, however, that there was virtually no evidence that Westinghouse knew that defendants were in fact copying Westinghouse labels, rather than using original labels. At trial, Westinghouse suggested that copying labels was not only evidence of bad intent, but also a wrong in and of itself.

Although defendants admitted making duplicate Westinghouse labels, they steadfastly denied any wrongful intent. They argued that they did not bother labelling their breakers as "reconditioned" because defendants were well-known in the market — "we're a junk shop. People know who we are." Defendants also said that they believed that any purchaser of a reconditioned breaker would recognize it as such. As one defendant, Charley Contreras described it: "It's like if you're an old man, you can put on all the make-up you want, but you're not fooling anybody but yourself." Furthermore, defendants noted that if they were trying to

deceive the public, they were doing an absurdly inept job — they not only often told customers when asked that the breakers were reconditioned, but also widely advertised themselves as breaker reconditioners.

According to defendants, replacing worn labels was not an effort to deceive, but a necessary part of reconditioning. After all, as even Westinghouse concedes, its labels do more than identify Westinghouse as the manufacturer — they provide critical information regarding the breaker's electrical characteristics. Various electrical codes and standards require breakers to bear such information, and copying Westinghouse's labels was simply the easiest way to do it.

Lastly, in support of its unclean hands defense, defendants demonstrated that after purchasing reconditioned breakers from defendants, Westinghouse itself re-sold them directly without relabelling them as reconditioned.

C. The Jury's Verdict Forms

On July 15, 1993, the jury returned its first verdict form, indicating that plaintiff had failed to prove any of its state law claims or its Lanham Act unfair competition claim, *15 U.S.C. § 1125*. However, the verdict form indicated that plaintiff had proven its Lanham Act "trademark counterfeiting" claim, *15 U.S.C. § 1114*, and that defendants "intentionally used counterfeits of [some] of plaintiff's trademarks, knowing them to be counterfeits."[7] With regard to the affirmative defenses, the verdict form indicated that affirmative defenses applied to all of plaintiff's claims except the § 1114 claim.

This result appeared fatally inconsistent, as a claim under § 1114 should have established claims under § 1125 and also under the California Business & Professions Code.

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[7]Response to Jury Verdict Form Question 6.

Unwilling to risk improperly coercing a verdict, this Court did not inform the jury that its verdict was inconsistent. Instead, this court asked them to return the following day, so that this court and the parties could digest the verdict overnight and determine whether the jury needed to answer any further questions. The next day, after the jury had assembled in the jury room but before it had entered the courtroom, the jury sent a note to the bailiff indicating that it had made an error in transposing its results onto the verdict form, and asked if it could make corrections and submit a revised verdict form.

This Court obliged, and the jury submitted a revised verdict form, which indicated that plaintiff had proved both its § 1114 claim and its § 1125 claim, as well as its claim for unfair competition under the California Business and Professions Code. The verdict form continued to indicate that the jury found that affirmative defenses applied to all of plaintiff's claims except for the § 1114 claim.

Although the § 1114, § 1125, and California Business & Professions Code claims were now consistent, this Court was perplexed by the jury's conclusions on the affirmative defenses. Defendants had produced extensive and highly persuasive evidence that Westinghouse knew, or should have known, that defendants were using the Westinghouse mark on reconditioned breakers without designating them as reconditioned. This evidence clearly justified the jury's finding that affirmative defenses applied to Westinghouse's § 1125 claim. Ordinarily, this evidence also should have mandated the same result on the § 1114 claim, since a § 1125 claim completely subsumes a § 1114 claim. See, *e.g., Inwood Laboratories, Inc. v. Ives Laboratories, Inc. 456 U.S. 844, 859, 72 L. Ed. 2d 606, 102 S. Ct. 2182 (1982); James Burrough Ltd. v. Sign of Beefeater, Inc., 540 F.2d 266, 274 n.16 (7th Cir. 1976); American Exp. v. American Exp. Limousine Serv., 772 F. Supp. 729, 732 (E.D.N.Y. 1991);*

The Coca-Cola Company, Inc. v. Cahill, 350 F. Supp. 1231, 1233 (W.D. Okla. 1972), aff'd, *480 F.2d 153 (10th Cir. 1973)*. See also J. Thomas McCarthy. McCarthy on Trademarks. §§2.02, 2.03 (1992) (hereinafter "McCarthy").

Since the parties had agreed to try damages to the Court, and further intervention would seriously suggest coercion of a different verdict, this Court excused the jury and took evidence on damages. This Court also asked the parties to address the issue of verdict inconsistency and heard oral argument on the matter.

II.

Now that the inconsistency issue has been thoroughly brief and argued, the case comes into clear focus. The jury's answers were absolutely consistent with both the instructions and the evidence presented.

A. What Did Westinghouse Know?

For the most part, defendants and Westinghouse agree that the jury necessarily made certain findings of fact. They agree that, in finding liability on both the § 1114 and § 1125 claims, the jury necessarily found: 1) that defendants reconditioned breakers bearing the Westinghouse mark; 2) that they did not designate them as "reconditioned"; 3) that they did so without Westinghouse's consent; and 4) that this practice was likely to cause confusion.

Defendants and Westinghouse also agree that since the jury found for defendants on the affirmative defenses to § 1125, it necessarily found that Westinghouse knew or should have known that defendants were selling reconditioned breakers bearing the Westinghouse mark without

labelling the as reconditioned.[8] Finally, both defendants and Westinghouse agree that the jury's findings on the § 1114 affirmative defenses indicate that Westinghouse did not know, nor should it have, that defendants happened to be duplicating Westinghouse labels rather than using original Westinghouse labels on the reconditioned breakers.[9] This interpretation is perfectly consistent with the instructions.

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[8]Brief of Plaintiff Westinghouse Electric Corporation in Response to the Court's Request for Final Briefs Regarding the Damages Phase of Trial, September 29, 1993 at 22 ("There was testimony at trial that indicated that, while many [Westinghouse] salespeople believed they were buying only new products from the defendants, other [sic] were aware that the circuit breakers sold by the defendants were used and/or reconditioned. This testimony explains the jury's finding that the defendants established the defense of laches to Westinghouse's claim of unfair competition under *15 U.S.C. § 1125.*") ("Westinghouse Damage brief").

[9]See Trial Brief Regarding Recovery Under *15 U.S.C. 1117.* September 29, 1993 at 7 ("Clearly, the verdict reflects that the jury wanted to acknowledge that the equitable defenses were not available to excuse defendants' replication of Westinghouse's trademark; however, given Westinghouse's participation in an acquiescence to the reconditioning and non-labelling activities, the jurors did not want to penalize defendants or reward Westinghouse as a result.") (filed by the AC Circuit defendants).

See also Brief of Plaintiff Westinghouse Electric Corporation in Response to Defendants' Briefs Regarding the Damages Phase of Trial, October 4, 1993 at 18-19 ("Westinghouse Response"):

In order to be on notice of its § 1125 claim, Westinghouse needed to have actual or constructive knowledge only that the defendants failed adequately to disclose the condition of the breakers that they sold. In order to have notice of its narrower § 1114 claim, however, Westinghouse needed to have actual or constructive knowledge that the defendants were counterfeiting Westinghouse's trademarks and placing such counterfeit marks on used and reconditioned circuit breakers they sold to the public.

The jury obviously wished to indicate in its verdict that Westinghouse knew or should have known of the former conduct, but not the latter. . . . The jury's verdict on Westinghouse's section 1114 claim purposely

As both Westinghouse and defendants note, Instruction 65 required defendants to show that Westinghouse knew, or should have known, that defendants were duplicating Westinghouse labels rather than merely using original Westinghouse labels, in order to prove their affirmative defenses to § 1114. Such a showing was not required, however, to establish affirmative defenses to § 1125.[10] Since the instructions indicated that the original/copied label distinction was the only difference between the affirmative defenses, this interpretation is the only one that makes the jury's responses consistent.

Moreover, this Court has no reason to suspect that the jury lost sight of this distinction or misunderstood, forgot, or somehow refused to follow this instruction. Each juror had a copy of the instructions in the jury room, and both sides emphasized the instruction at closing argument. After tell-

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singled out defendants' counterfeiting activities as behavior of which the jury found Westinghouse not to be on notice. . . .
(Emphasis added).

[10]Instruction 65 explained to the jury that:

You must also assess plaintiff's knowledge of the facts underlying each of its claims separately. The law recognizes that a plaintiff with knowledge of one claim but deprived of information critical to another claim may still assert the claim about which it could not have known. Thus, even if you were to find that plaintiff knew the fact giving rise to its claims for trademark dilution or unfair competition, this does not mean that plaintiff also knew the facts giving rise to its claim for trademark counterfeiting under section 1114.

In order to sustain their laches, estoppel, and acquiescence defenses against plaintiff's trademark counterfeiting claim, defendants must prove that plaintiff knew or should have known all the facts giving rise to this particular claim, namely that defendants were copying the Westinghouse trademarks and applying them to used and reconditioned molded case circuit breakers that were sold in commerce without adequate disclosure of their condition.
(emphasis added).
[**14]

ing the jury that the distinction between copied and original labels differentiated § 1114 and § 1125,[11] Westinghouse repeatedly highlighted Instruction 65, explaining that defendants had to prove knowledge of copying to establish affirmative defenses to § 1114.[12] Then, noting that defendants had failed to present any persuasive evidence that Westinghouse knew, or should have known, that defendants were copying labels, rather than using original labels, Westinghouse told the jury that it could not find affirmative

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[11]According to Westinghouse's trial counsel:

. . . Section 1125 is essentially the same elements as [the elements of § 1114], except, as the Court instructed you, for a violation of 1125, you don't have to use a copy of the trademark. You can use the original trademark or the original label in some other fashion . . .

Closing Remarks of Gregory Stone, Counsel for Westinghouse, Transcript at 5224:13-18.

[12]Westinghouse counsel clearly emphasized to the jury that label copying, not merely the use of the Westinghouse mark, was a key issue in the case:

At the conclusion of my remarks today, I am going to ask you to find certain things. I am going to ask you to find that the defendants infringed the Westinghouse trademarks, that they counterfeited those marks, that they made labels, including the Westinghouse trademark, without any authorization to do so . . .

. . . there were three critical issues in the case: [including] the Westinghouse trademarks, and whether they were copied by defendants.

Closing Remarks of Gregory Stone, Counsel for Westinghouse. Transcript at 5219:13-5220:2.

Then, discussing the affirmative defenses, Westinghouse counsel told the jury that defendants had to show that Westinghouse knew, or should have known, that defendants were copying labels:

And what are these true facts? Did Westinghouse have knowledge of them? The true facts are the defendants copied its trademarks, and they misrepresented the goods they sold.

Id. at 5228:7-10.

defenses to the § 1114 claim.[13] With considerably less enthusiasm, defendants also emphasized the impact of Instruction 65, noting that they had to prove that Westinghouse knew, or should have known, that defendants were making replacement labels.[14]

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[13] As Westinghouse's counsel noted, little or no evidence suggested that Westinghouse knew, or should have known, that defendants were using duplicate labels instead of original ones:

. . . Did Westinghouse know the true facts [that defendants were copying labels, rather than merely using originals]? The testimony in that regard does not take very long to summarize.

Paul Cavnar, who worked at the [Westinghouse] branch in San Diego for a year and a half, testified that on one occasion he received a breaker, and he was a little confused about whether it was from GCB or GMEW, but he ultimately concluded that it was from GMEW. He received one breaker that had a label taped on the front with a piece of shiny plastic tape, and that label looked to him to be shinier than the original label or somewhat different than the original label.

And that is the only evidence we have of a Westinghouse employee seeing a copied label put on a breaker by one of the defendants. Indeed, we don't know from Mr. Cavnar's testimony or from anyone at GMEW whether that label was an original taped back on or whether it was a copy.

. . .

. . . That is the only knowledge that anyone at Westinghouse had that any of the defendants were copying labels.

Closing Remarks of Gregory Stone, Counsel for Westinghouse, Transcript at 5229:16-5231:2.

After discussing Mr. Cavnar, Westinghouse's counsel spoke at length about the defendants' failure to prove that Westinghouse knew that defendants were using duplicated labels, rather than originals. After over twenty pages of oral argument, Westinghouse counsel finally concluded that "no one [at Westinghouse] knew about the copying of labels." Id. at 5248:21.

[14] Mr. Emling, counsel for the Pencom defendants, grimly told the jury about Instruction 65:

Well, you know, what did they have to know exactly [in order for you to find that the affirmative defenses apply to § 1114]? Now, apparently the way the instructions are coming out is, at least on the counterfeiting

Thus, it is virtually undisputed that the jury found that although Westinghouse knew, or should have known, that defendants were using the Westinghouse mark on reconditioned breakers, they did not know that defendants were copying Westinghouse labels.

B. Defendant's Intent.

The jury's findings regarding Westinghouse's notice are undisputed and clear. The jury's conclusions about defendant's intent, although the subject of some dispute, are clear as well. Defendants contend that the jury found that defendants intended to duplicate Westinghouse labels.[15] but did not intend to deceive anyone into believing that the reconditioned breakers were new. The jury was clearly instructed that, if it found any defendant intended to deceive, none of the affirmative defenses applied.[16] Since the jury found that

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part, we are going to have to prove that they either knew or should have known of the replacement labels. Okay. We have to live with that. Closing Argument of Michael Emling, Counsel for the Pencom Defendants. Transcript at 5318:24-5319:4. See also Id. [sic] at 5308:4-5 ("There is one count, the 1114 count, that requires replacement labels on it."); 5324:13-15 ("Now, you know, on one count at least we have to prove that they knew or should have known about relabeling in some sense.").

[15]Obviously, defendants intended to reproduce labels when they employed a photocopy machine or professional printer.

[16]Instruction 66 ("If you find that any defendant, in selling used and reconditioned Westinghouse molded case circuit breakers, intended to cause confusion, or mistake, or deception, that defendant lacks the good faith necessary to establish its defense of laches, estoppel or acquiescence, and you may find for plaintiff on each of these defenses as to any such defendants."); Instruction 52 ("If you find that any defendant, in selling used and reconditioned Westinghouse circuit breakers and in copying Westinghouse's trademark, intended to cause confusion, deception, or mistake among its immediate consumers or others such as downstream purchasers, then that defendant may not assert the defense of laches.").

defendants had established their affirmative defenses to all of Westinghouse's claims except for the § 1114 claim (which is explained by Instruction 65), the jury obviously found that defendants had not intended to cause confusion.

Westinghouse disagrees, proposing instead that the jury found that the defendants intended to cause confusion when they replaced Westinghouse labels, but did not intend to cause confusion when they used original Westinghouse labels.[17] Neither logic nor the record supports such an interpretation. Moreover, Westinghouse's argument necessarily implies that the jury either disregarded its instruction or rendered an internally inconsistent verdict.

First, no evidence suggests that defendants intended to deceive when they photocopied labels, but did not intend to deceive when they sold reconditioned breakers bearing original Westinghouse labels. The record indicates that defendants' state of mind was constant throughout. Defendants presented evidence indicating that they told customers when asked that the breakers were reconditioners, advertised themselves as breaker reconditioners, and assumed that everyone knew the breakers were reconditioned. No evidence indicated that defendants behaved one way when they sold breakers with duplicate labels and another way when they sold breakers with original labels. No testimony indicated that the breakers with new labels were in fact more confusing than those with original paper or permanent labels. In fact, substantial testimony indicated that, while some of defendants' "counterfeit labels" were virtually identical to those printed by Westinghouse, others were poorly made or were the wrong color or size. Thus, the most potentially confusing breakers were those which still bore their original labels, not those with copied labels. Westinghouse's suggestion that defendants did not intend to deceive

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[17]See Westinghouse Response at 24-25.

when they were most likely to do so, yet did intend to deceive when they were least likely to do so simply makes no sense, and is not remotely supported by the evidence.

Second, Westinghouse's interpretation necessarily implies that the jury answered the verdict form inconsistently. For example, the jury was clearly instructed that Westinghouse's claim for unfair competition under the California Business & Profession Code covers "any unlawful, unfair, or fraudulent business act or practice," which quite obviously covers copying and applying replacement labels with an intent to deceive. See Instruction 42. If the jury had found such an intent, it would have found that Westinghouse proved their claim under the California Business & Professions Code, but could not have found for defendants on the affirmative defenses because good faith is a prerequisite to the affirmative defenses under Instruction 66.[18]

Similarly, if the jury had found, as Westinghouse suggests, that defendants duplicated Westinghouse's mark with an intent to deceive, the jury necessarily would have found liability on the common law unfair competition claim as well. This claim requires "a species of fraud or deceit." See Instruction 43. Obviously, if the jury had found that defendants copied labels with the intent to deceive, it would have found that Westinghouse proved this claim.

By arguing that the jury found that defendants intended to deceive when they duplicated Westinghouse labels, yet did not intend to deceive when they used original Westinghouse labels, Westinghouse asks this Court to conclude that the

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[18]Although the jury did not, in fact, find any intent to deceive, it nevertheless found that Westinghouse proved its California Business & Professions Code claim because it found for Westinghouse on its Lanham Act claims. See Instruction 42 ("If you find in favor of Westinghouse on either of its federal claims under the Lanham Act, you should also find in favor of Westinghouse on its state law claim for unfair competition under the Business and Professions Code.").

jury responded illogically, without regard to the evidence, and inconsistently.[19] As even Westinghouse acknowledges, this Court must adopt an interpretation of the jury's findings that makes them consistent: "where there is a view of the case that makes the jury's answers . . . consistent they must be resolved that way. [A] search for one possible view of the case which will make the jury's finding inconsistent results in a collision with the Seventh Amendment." *Atlantic & Gulf Stevedores, Inc. v. Ellerman Lines, Ltd., 369 U.S. 355, 364, 7 L. Ed. 2d 798, 82 S. Ct. 780 (1962)*. See also *Toner v. Lederle Laboratories, 828 F.2d 510, 512 (9th Cir. 1987)*, cert. denied, *485 U.S. 942, 99 L. Ed. 2d 282, 108 S. Ct. 1122 (1988)* ("the court must search for a reasonable way to read the verdicts as expressing a coherent view of the case"). Therefore, this Court accepts the following facts as determined by the jury:

1) Defendants used Westinghouse's marks on reconditioned breakers;

2) without Westinghouse's consent;

3) such use was likely to cause confusion;

4) Defendants did not intend to deceive the public with its use of the Westinghouse mark.

5) Westinghouse knew, or should have known, that defendants were selling reconditioned breakers bearing Westinghouse's marks.

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[19]The jury's finding that "the . . . defendants intentionally use counterfeits of any of plaintiff's trade marks, knowing them to be counterfeits" does not change this interpretation. See Jury's Response to Verdict Form Question 6. Question 6 merely asked the jury if defendants knew that some of the labels they were using were not originally printed by Westinghouse — it did not ask whether by using Westinghouse's mark, defendants intended to deceive. Since Instruction 65 clearly made the act of copying labels an issue, this Court has no reason to suspect that the jurors would have interpreted Question 6 in any other manner.

6) Westinghouse did not know, nor should it have known, that defendants happened to be reproducing the labels.[20]

III.

Having found that the "ultimate questions of fact were clearly submitted to the jury,"[21] and that the jury answered them in a manner consistent with the instructions and the evidence, this Court must now determine whether these facts entitle Westinghouse to damages or an injunction. This Court must determine a) whether these facts do establish Westinghouse's § 1114 claim, and b) whether these facts establish affirmative defenses to § 1114.

A. Westinghouse Established Its § 1114 Claim.

The jury found that Westinghouse established all of the facts necessary to prove its § 1114 claim. Where confusion would otherwise result, a reconditioned product must be labelled as "reconditioned" such that purchasers are aware

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[20]To this Court's dismay, the AC Circuit defendants made oblique and totally inappropriate references to post-verdict jury interviews, suggesting that the jury found that defendants had no bad intent and did not intend for Westinghouse to recover damages.

Indeed, one of the jurors, Lilian Johnson, wrote this Court in her own hand, stating that "The jury want [sic] to see the defendants cleared from damages claim." The letter seems to suggest that although the jury found that defendants had not committed any culpable act (they had not intended to deceive) the counterfeiting instructions nevertheless required them to answer some questions in Westinghouse's favor. Although Ms. Johnson did not refer to them specifically, she was obviously speaking of Instruction 65 and Question 6.

Of course, as AC Circuit should understand, Ms. Johnson's letter and AC Circuit's jury interviews are inadmissible, and this Court gives them no weight whatsoever. See *United States v. Rohrer, 708 F.2d 429, 434 (9th Cir. 1983)*; F.R.Evid. 606(b).

[21]*Central Progressive Bank v. Fireman's Fund Ins. Co., 658 F.2d 377, 381 (5th Cir. 1981).*

of the true source of both the labor and the components which make up the product. This rule assures consumers that a given label indicates a given standard of quality control, and is supported by a half-century of jurisprudence. See, e.g., *Polymer Technology Corp. v. Mimran, 975 F.2d 58, 62 (2d Cir. 1992)* ("One of the most valuable and important protections afforded by the Lanham Act is the right to control the quality of the goods manufactured and sold under the holder's trademark."); *Shell Oil Co. v. Commercial Petroleum, Inc., 928 F.2d 104, 107 (4th Cir. 1991)* ("A product is not truly 'genuine' unless it is manufactured and distributed under quality controls established by the manufacturer."); *Singer Mfg. Co. v. Briley, 207 F.2d 519, 521 n.3 (5th Cir. 1953); Brandtjen & Kluge, Inc. v. Prudhomme, 765 F. Supp. 1551, 1573 (N.D. Tex. 1991); Mfg. Co. v. CGM Valve & Gauge Co., 730 F. Supp. 1387, 1394-95 (S.D. Tex. 1989); Adolf Coors Co. v. A. Genderson & Sons, Inc., 486 F. Supp. 131, 135 (D. Colo. 1980).*

Notwithstanding this well-established line of authority, the Pencon defendants suggest that a Ninth Circuit decision decided after the jury returned its verdicts in this case, *Intel Corp. v. Terabyte Int'l, 6 F.3d 614 (9th Cir. 1993),* undermines Westinghouse's § 1114 claim.[22] As the Pencon defendants read Intel, sale of a reconditioned product violates § 1114 only if (1) it is relabeled as having a capacity that it does not have (the Intel facts); or (2) the changes to the

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[22]Intel involved a blatant scheme to deceive, in which defendant mislabeled plaintiff's coprocessors, leading consumers to believe that the coprocessors were faster and more expensive than they actually were. *Id at 619.* Nevertheless, the Intel defendant argued that it did not infringe under § 1114 because it did not misidentify the original source of the products. The Ninth Circuit disagreed, noting that the labels deceived, whether or not they correctly identified the coprocessor's original source. *Id. at 619-20.*

breakers were "so extensive or so basic that it would be a misnomer to call the article by its original name."[23]

The Pencon defendants contend that the reconditioned breakers in the instant case were substantively the same as new breakers — thus, they cannot be liable under § 1114. Defendants grossly misread Intel and the Supreme Court case upon which it relies, *Champion Spark Plug Co. v. Sanders, 331 U.S. 125, 91 L. Ed, 1386, 67 S. Ct. 1136 (1947)*. Intel suggests that a defendant cannot label one product as another, even if both products are made by the same source. In other words, don't put a Mustang mark on your Ford Escort and try to sell it as a Mustang, even though both cars are made by Ford. Champion suggests that in some circumstances, "the reconditioning or repair would be so extensive or so basic that it would be a misnomer to call the article by its original name, even though the words 'used' or 'repaired' were added." *Champion, 331 U.S. at 129-30* (emphasis added). In other words, after your Mustang has been squashed into a metal cube by the wrecker, you cannot rebuild a Mustang from the scrap and sell it as a "used Ford Mustang," even though it was once a Mustang.

Neither case suggests that an automobile restorer can take a Mustang with 50,000 miles on it, restore it, roll back the odometer, and use the Ford Mustang mark such that consumers believe that it is a new Mustang, even if in fact it may be qualitatively identical to a new Mustang. That, in effect, is what the jury found that defendants did here. Thus, the jury properly concluded that Westinghouse proved its § 1114 claim.

B. Defendants Established Affirmative Defenses to Both the § 1114 and § 1125 Claims.

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[23]General Magnetics' Opposition Brief Re Damages, October 4, 1993, at 2-3.

With regard to the affirmative defenses, the jury found:

1) Defendants did not intend to deceive the public with its use of the Westinghouse mark.

2) Westinghouse knew, or should have known, that defendants were selling reconditioned breakers bearing Westinghouse's marks.

3) Westinghouse did not know, nor should it have known, that defendants happened to be reproducing the labels.

Westinghouse argues that since the jury found that Westinghouse neither knew, nor should have known, that defendants were copying labels, defendants are liable for those breakers which bore copied labels, but not those which bore original labels.

Defendants counter that such a result is simply illogical and unsupported by the law. So long as Westinghouse knew, or should have known, that defendants were using the Westinghouse mark, it makes no difference whether Westinghouse knew that the labels were copies or thought they were originals. According to defendants, Instruction 65 erroneously focused the jury's attention on an irrelevant detail — whether Westinghouse knew that the defendants were duplicating labels.[24] Since the jury found for defendants on all of the requisites to the affirmative defenses, defendants ask this Court to enter judgment in their favor.

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[24]See Defendant's Trial Brief Re: Damages, September 29, 1993, at 15:

The lack of a finding for defendants on the defenses as to the 1114 claim arises from the erroneous instruction number 65, which required defendants to prove that plaintiffs knew or should have known of the actual copying of the mark, as opposed to the simple use of the mark under conditions giving rise to a likelihood of confusion. (filed by the Pencon defendants).

Instruction 65 thus becomes the fulcrum of this case. If it is a correct statement of law, this Court should calculate the damages to which Westinghouse is entitled. If it is not, this Court should conclude that Westinghouse is not entitled to monetary relief.

Instruction 65, one of seventy-two eventually adopted, was based on the mundane principle that proving an affirmative defense to one claim does not necessarily establish an affirmative defense to another claim because the elements of the claims may differ. See, e.g., *Hobson v. Wilson, 237 U.S. App. D.C. 219, 737 F.2d 1, 35 (D.C. Cir. 1984)*, cert. denied, *470 U.S. 1084, 85 L. Ed. 2d 142, 105 S. Ct. 1843 (1985); Yeadon v. New York City Transit Authority, 719 F. Supp. 204, 209 (S.D.N.Y. 1989)*. This instruction is so standard, routine, and innocuous that it wriggled into the nearly 100-page packet of instructions without fanfare, notwithstanding defendants' timely objection.[25]

Westinghouse continues to contend that Instruction 65 was correct because the § 1114 and § 1125 claims have different elements and involve "different levels of culpability."[26] According to Westinghouse, the § 1114 claim has an additional element — that defendants reproduced Westinghouse labels rather than merely used original Westinghouse labels they already possessed. Moreover, Westinghouse argues that since § 1114 requires duplication of labels, it involves a greater level of culpability, since "counterfeiting labels" is inherently more sinister than deceiving with original labels. Westinghouse is incorrect, apparently still confused by 1) section 1114's requirement of "use in commerce [of] any reproduction, counterfeit, copy or colorable imita-

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[25]See, e.g., Supplemental Objections to Proposed Jury Instructions, July 4, 1993 at 3, 6-7 (filed by the Pencon defendants).

[26]See Westinghouse Response at 21.

tion of a registered mark"; and 2) section 1117's special penalties against those who "counterfeit."

Contrary to Westinghouse's belief, using duplicate labels is not an element of § 1114 — plaintiff need prove only that defendants used reasonable facsimiles of the Westinghouse mark, regardless of whether they used original or photocopied labels.[27] To hold otherwise would incorrectly shift the focus away from the fundamental "keystone" of both unfair competition and trademark infringement — likelihood of confusion[28] — onto something about which the Lanham Act is unconcerned — the mere act of photocopying. Since the public is no more likely to be deceived by a counterfeit label

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[27]Thus, the § 1114 and § 1125 claims have substantially identical elements for purposes of this lawsuit.

[28]Trademark law does not confer "a complete monopoly over (a trademark's) use .... The Lanham Act and its legislative history reveals no congressional design to bestow such broad property rights on trademark owners. Its scope is much narrower: to protect consumers against deceptive designations of the origin of goods, and, conversely, to enable producers to differentiate their products from those of others." *International Order of Job's Daughters v. Lindeburg and Co., 633 F.2d 912, 918 (9th Cir. 1980)*, cert. denied, *452 U.S. 941, 69 L. Ed. 2d 956, 101 S. Ct. 3086 (1981)*.

See also *Beer Nuts, Inc. v. King Nut Co., 477 F.2d 326, 329* (8th Cir.), cert. denied, *414 U.S. 858, 38 L. Ed. 2d 108, 94 S. Ct. 66 (1973)* ("The essence of the wrong of trademark infringement is the passing off of the goods of one as those of another."); *Continental Motors Corp. v. Continental Aviation Corp., 375 F.2d 857 861 (5th Cir. 1967)* ("Confusion, or the likelihood of confusion ... is the real test of trademark infringement."); *Safeway Stores, Inc. v. Safeway Properties, Inc., 307 F.2d 495, 497 (2d Cir. 1962)* ("The keystone in that portion of the law of unfair competition which relates to trademarks is the avoidance of confusion in the minds of the buying public."); McCarthy § 2.03 ("Whatever route one travels, whether by trademark infringement or unfair competition, the signs give direction to the same enquiry — whether defendant's acts are likely to cause confusion").

than they are by an original label (in fact, the opposite is true),[29] § 1114 does not distinguish between the two.

As Judge Posner remarked:

> We can see no difference, so far as the objectives of section 1114(1)(a) are concerned, between [unauthorized use of original labels] and making a reproduction [of the label]. The happenstance of having trademarks made by the owner in one's possession, so that one doesn't have to copy the, has no relevance to the purposes of the statute. Indeed, the danger of confusion is even greater because the "imitation" is not merely colorable, but perfect. The more fundamental point is that the purpose of trademark law is not to guarantee genuine trademarks but to guarantee that every item sold under a trademark is the genuine trademarked product, and not a substitute. . . . The only function of a trademark is to designate a product or service, and the misconduct at which section 1114 is aimed consists not in making the trademark without authorization but in affixing it to the wrong product: it is an irrelevant detail whether the trademark was [original] or merely copied.

General Electric Co. v. Speicher, 877 F.2d 531, 534-35 (7th Cir. 1989). Thus, even though the Speicher defendant had used original labels made by the plaintiff, the Court held that it was liable under § 1114. Speicher's conclusion that copying is not an element of § 1114 is hardly novel — courts have found parties using original labels liable for trademark infringement for over fifty years. See, e.g., *Polymer Technology Corp. v. Mimran, 975 F.2d 58, 63 (2d Cir. 1992)* ("A distributor's failure to observe a restrictive condition on the type or class of customers with whom it may deal can constitute trademark infringement" under § 1114 even though the labels are original); *Interstate Battery*

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[29]The public is less likely to be deceived by a counterfeit label if the technology used is poor.

System of America, Inc. v. Wright, 811 F. Supp. 237, 244 (N.D. Tex. 1993) (holding defendant liable for "trademark counterfeiting" under § 1114 where defendant "used certain stickers or labels acquired from Plaintiff and affixed such labels or stickers to ... batteries not manufactured by authorized manufacturers of Plaintiff"): *Adolph Coors Co. v. A. Genderson & Sons, Inc., 486 F. Supp. 131, 135 (D. Colo. 1980)* ("Although defendant's conduct does not literally involve reproduction, counterfeit, copy or colorable imitation of a trademark [but instead involves reselling beer in its original containers bearing its original labels], it nevertheless falls within the scope of § 1114 [because defendant did not follow Coors' control procedures to maintain the quality of the beer]"); *J.C. Penney Co. v. Parrish Co., 339 F. Supp. 726 (D. Idaho 1972)* (holding that defendant could be liable under § 1114 for selling damaged Penney's merchandise without removing the trademarks); *Coty, Inc. v. Willingmyre, 35 F. Supp. 346 (D. Pa. 1940)* (holding defendant liable for trademark infringement where it refilled plaintiff's original perfume bottles, which still bore plaintiff's original labels, with spurious perfume).

Since confusion is the touchstone of trademark law, and since copying labels is not an element of either a § 1114 claim or a § 1125 claim, the Lanham Act does not forbid the mere act of copying labels. *Prestonettes, Inc. v. Coty, 264 U.S. 359, 368, 68 L. Ed. 731, 44 S. Ct. 350 (1924)* ("[Trademark] does not confer a right to prohibit the use of the word or words. It is not a copyright.... A trademark only gives the right to prohibit the use of it so far as to protect the owner's good will against the sale of another's product as his."). See also *Shaw v. Lindheim, 919 F.2d 1353, 1364-65 (9th Cir. 1990)* ("[Plaintiff's] claim is not consistent with the Lanham Act's purpose of preventing individuals from misleading the public by placing their competitors' work forward as their own... We decline to expand the scope of the Lanham Act to cover cases in which

the Federal Copyright Act provides and adequate remedy."); *American Footwear Corp. v. General Footwear Co. Ltd., 609 F.2d 655, 663-64 (2d Cir. 1979)*, cert. denied, *445 U.S. 951, 63, L. Ed. 2d* 951787, 100 S. Ct. 1601 (1980); Quality Inns Int'l Inc. v. McDonald's Corp., 695 F. Supp. 198, 218 (D.Md. 1988) ("Unlike a copyright, mere reproduction of a trademark is not an infringement."); *Bayer Co. v. Shoyer, 27 F. Supp. 633, 637 (E.D.Pa. 1939);* McCarthy, § 6.04[2] ("Copyright law gives the author the right to prevent copying of the copyrighted work in any medium. Trademark law prevents the use of a similar mark on such goods or services as would probably cause confusion. Thus, the scope of rights in copyrights and trademarks is defined quite differently."). CF. *Vanity Fair Mills, Inc. v. T. Eaton Co., 234 F.2d 633, 639* (2d Cir.), cert. denied, *352 U.S. 871, 1 L. Ed. 2d 76, 77 S. Ct. 96 (1956)* ("The wrong takes place not where the deceptive labels are affixed to the goods or where the goods are wrapped in the misleading packages, but where the passing off occurs . . . ").[30] Thus, where a trademark holder takes issue with the copying of his labels but has acquiesced to the use of his mark, he must either sue for a breach of a licensing agreement or rely on copyright law to provide protection, if he is entitled to any protection at all.[31]

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[30]In fact, consumer welfare may be promoted where an independent dealers/repairer duplicates a mark in order to indicate the type of products they repair or sell, so long consumers are not confused in the process. See, e.g., *Volkswagenwerk Aktiengesellschaft v. Church, 411 F.2d 350, 352 (9th Cir. 1969)*, supp. op., *413 F.2d 1126 (9th Cir. 1969); General Electric Co. v. A-All Appliance Parts Co., 224 U.S.P.Q. 1054 (E.D. Mich. 1984).*

[31]A contrary result, which Westinghouse champions, is inconsistent not only with a half-century of jurisprudence, but also with logic itself. Suppose that a trademark holder knows that a reconditioner has a pallet of labels, originally printed by the trademark holder, and knows that the reconditioner intends to use these labels on its reconditioned breakers.

The original/duplicate label distinction is also irrelevant to § 1117, which provides for stronger remedies against those who use "counterfeit" marks. Since the Act is concerned with confusion, it defines a counterfeit mark as one "identical with, or substantially indistinguishable from" plaintiff's mark. *15 U.S.C. § 1116*(d)(1)(B)(ii). If, for example, a plaintiff were to use the registered trademark "Kortenkampwear" in camping gear and clothes, and a defendant were to apply the identical mark to non-Kortenkampwear camping products, the defendant would be a counterfeiter, regardless of whether it used labels originally printed by the plaintiff or made its own labels. In such a case, since the public is exceptionally likely to be confused by the use of identical marks, and such a defendant's conduct is often egregious, § 1117(b) provides for treble damages absent exceptional circumstances. See *Speicher, 877 F.2d at 537* (ordering the district court to contemplate treble damages under § 1117(b), even though defendant used labels printed by the plaintiff).

If, on the other hand, a defendant uses the mark "Kurts-Kampingwear" on non-Kortenkampwear products, it would not be a counterfeiter since this mark is not "identical with, or substantially indistinguishable from" the plaintiff's mark. Although this may not prevent the defendant from being found liable for trademark infringement under § 1114 if the defendant's label is held to be a "colorable imitation" of plaintiff's mark, it will protect the defendant from being liable for treble damages. *15 U.S.C. § 1117(a)*. See McCarthy, § 25.01[5][b] ("The Lanham Act carves out 'counter-

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After a fire at the reconditioner's place of business, which destroys half of the labels, the reconditioner makes exact copies to replace the burned labels, puts them on his breakers, and sells them. Does trademark law now give the trademark holder a right to sue for damages? Of course not. The trademark laws are concerned with the use of marks, and the trademark holder in this example has already acquiesced to the use of his mark.

feit' as a more egregious type of 'colorable imitation.' When courts have used the term 'counterfeit,' it has usually been in the context of invoking greater discretionary remedies.").

Thus, in the instant case, whether defendants copied labels or used original Westinghouse labels is irrelevant. Defendants were liable under § 1114, if at all, for all reconditioned breakers which were likely to cause confusion, including those with original and those with duplicate labels. Moreover, defendants were exposed to treble damages liability, if at all, for all reconditioned breakers bearing either original Westinghouse labels or copies, so long as those copies were "substantially indistinguishable from" the original Westinghouse labels. To establish an affirmative defense to § 1114, defendants needed only to prove that Westinghouse knew that defendants were using the Westinghouse mark. They did not need to prove that Westinghouse knew that defendants were copying labels. Since the jury found that Westinghouse knew, or should have known, that defendants were selling reconditioned breakers bearing the Westinghouse mark without labeling them as reconditioned, it found that defendants established each and every element necessary to prove an affirmative defense to Westinghouse's § 1114 and § 1125 claims.[32]

Consequently, this Court concludes that Westinghouse is entitled to no monetary recovery whatsoever, and will enter judgment to the effect. See *Silverberg v. Paine, Webber, Jackson & Curtis, Inc., 710 F.2d 678, 685 (11th Cir. 1983)* ("Where a commonsensical interpretation of the various

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[32]Westinghouse might argue that the jury's decision to amend its verdict form indicates confusion and irreparably taints the trial. This Court disagrees. The jurors specifically explained that they had made an error in transposition, and did not indicate that they were confused. This Court accepts their explanation, as any observer of this trial must: the jury's final answers are consistent with both the evidence and the instructions. The jury understood its task and executed it capably.

verdict forms... makes clear [the jury's] intent," the district court appropriately denied a new trial and entered judgment consistent with that intent). Cf. *Los Angeles Nut House v. Holiday Hardware Corp., 825 F.2d 1351, 1356 (9th Cir. 1987)*; F.R.Civ.P. 49.[33]

IV.

To the extent that Instruction 65 implied that the original/copied label distinction had legal significance, it erred. However, this error is harmless and does not prevent this Court from entering judgment consistent with the jury's findings. Although Instruction 65 favored Westinghouse by suggesting that copying labels is in and of itself a legal wrong, the jury found each and every fact necessary to establish the affirmative defenses. Since nothing suggests that the jury would have resolved the facts differently but for the error, the error is harmless. See, e.g., *Cancellier v. Federated Dept. Stores, 672 F.2d 1312, 1316* (9th Cir.), cert. denied, *459 U.S. 859, 74 L. Ed. 113, 103 S. Ct. 131 (1982)* ("There is no indication in the proceedings that the outcome would have changed if the [proper] jury instruc-

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[33]In L.A. Nut House, the jury entered a general verdict which was inconsistent with the special interrogatories. The Ninth Circuit held the district court was permitted to enter judgment consistent with the answers to the special interrogatories, which were themselves consistent. Thus, even when a jury may have evidenced confusion by reaching an inconsistent general verdict, a district court is permitted to enter judgment consistent with the jury's factual findings.

In the instant case, the jury's responses suggest no such confusion. Their responses are completely consistent with the jury instructions and the evidence presented. If, as in L.A. Nut House, a court has discretion to enter judgment consistent with a jury's factual findings even where the jury's inconsistent general verdict suggests confusion, it must be proper to enter judgment consistent with a jury's factual findings where, as here, the jury has responded to the instructions in an absolutely consistent manner.

tion had been given; to the contrary it affirmatively appears from the record that the instruction did not prejudice defendant. This case was not decided by a hairsbreadth."); *Sun Studs, Inc. v. ATA Equipment Leasing, Inc., 872 F.2d 978, 983-84 (Fed. Cir. 1989)* (finding error harmless where the jury found patent valid, in spite of an instruction which placed too great a burden on patentee to demonstrate validity); *Richardson v. Suzuki Motor Co., Ltd., 868 F.2d 1226, 1236-37* (Fed. Cir.), cert. denied, *493 U.S. 853, 107 L. Ed. 2d 112, 110 S. Ct. 154 (1989)* (same). Cf. *McKenzie v. Risley, 842 F.2d 1525, 1530* (9th Cir.), cert. denied, *488 U.S. 901, 102 L. Ed. 2d 239, 109 S. Ct. 250 (1988)* (in a criminal case, jury instruction is harmless "if the facts found by the jury were such that it is clear beyond a reasonable doubt that if the jury had never heard the impermissible instruction its verdict would have been the same.") (quoting *Pope v. Illinois, 481 U.S. 497, 503 n.6, 95 L. Ed. 2d 439, 107 S. Ct. 1918 (1987)).*

Westinghouse might argue that even without Instruction 65, the jury might have deliberately found for Westinghouse on the § 1114 affirmative defenses and against it on all of the other claims, intending to play Solomon and give defendants and plaintiff each half a baby. Westinghouse may contend that by entering judgment consistent with the jury's factual findings, this Court deprives the jury of its opportunity to split the baby in half.

This argument is unavailing. At a minimum, it is fatally speculative. Considering the evidence presented on affirmative defenses and unclean hands, this Court cannot fathom that any jury would have attempted to split the difference and give Westinghouse the benefit of an inconsistent verdict.

Second, even if the jury had intentionally reached an unfounded and anomalous result, this Court doubts whether such a verdict would have withstood scrutiny. Although, as a

rule, civil juries must return consistent verdicts,[34] some argue that an inconsistent verdict should be allowed to stand when it is the product of jury intent rather than jury confusion. See Alexander M. Bickel, Note, Judge and Jury—Inconsistent Verdicts in the Federal Courts, *63 Harv. L. Rev. 649, 654-55 (1950); Hines v. IBG Int'l, Inc., 813 F.2d 1331, 1334 (4th Cir. 1987)*. Judge Easterbrook counters, however, that such verdicts may indicate compromise, which dilutes the requirement that verdicts be unanimous, or worse, may indicate confusion. *Will v. Comprehensive Accounting Corp., 776 F.2d 665, 677 (7th Cir. 1985)*, cert. denied, *475 U.S. 1129, 90 L. Ed. 2d 201, 106 S. Ct. 1659 (1986)*.[35] This Court adds that such verdicts not only dilute the law but also discourage settlement of large cases by eliminating some of the risk of trial. Thus, this Court concludes that entering judgment for defendants on all of their affirmative defenses does not deprive Westinghouse of its right to an inconsistent verdict, since no such rights exists.[36] At any rate, Westinghouse deprived itself of

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[34]See, e.g., *Gallick v. Baltimore & O. R. Co., 372 U.S. 108, 119, 9 L. Ed. 2d 618, 83 S. Ct. 659 (1963)*.

[35]Although Judge Easterbrook spoke of inconsistencies between different parties, not different claims, his concerns are applicable to both cases.

[36]See also *Riley v. K-Mart Corp., 864 F.2d 1049 (3rd Cir. 1989)*. In Riley, the district court gave an erroneous answer to a jury question, misstating the legal effect of a factual finding they were required to make. Shortly thereafter, the jury returned its results.

Instead of entering judgment consistent with the jury's factual findings, the district court resubmitted the matter to the jury, telling them that he had erroneously explained the law, although he had correctly instructed them to resolve all of the material factual disputes. Realizing that their factual findings had a different legal effect than they had initially believed, the jury reconvened and submitted a second set of answers. Although the jury's revised factual findings differed markedly from their first set of answers, the district court entered judgment

any such right by championing a misleading instruction which implied that the Lanham Act forbids the act of copying labels. Westinghouse cannot now argue that the jury would have reached a Solomon-like verdict if only this Court had not given the instruction which Westinghouse itself advocated.[17] See *Cancellier, 672 F.2d at 1316* ("Significantly, the challenged instruction was fashioned by the judge from language submitted by [the party now contending that it is not harmless error].").

V.

"It has long been established that a litigant 'is entitled to a fair trial but not a perfect one.' " *Hard v. Burlington N. R.R. Co., 870 F.2d 1454, 1460 (9th Cir. 1989)* (quoting *Brown v. United States, 411 U.S. 223, 231-32, 36 L. Ed. 2d 208, 93 S. Ct. 1565 (1973)); Devices for Medicine, Inc. v. Boehl, 822 F.2d 1062, 1066 (Fed. Cir. 1987)* ("trials must be fair, not perfect"). Here, the trial was not perfect but it was more than fair to Westinghouse, which received the benefit of Instruction 65. In spite of Instruction 65's sugges-

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consistent with the second set of answers. The Third Circuit reversed, finding that the jury should not have been invited to manipulate its factual findings in order to achieve a specific result.

The Third Circuit remarked that although the district court had erroneously described the legal consequences of the jury's findings, it could have entered judgment based on the first set of answers since the factual issues were clearly presented to the jury. *Id. at 1052.*

That is exactly what this Court does here.

[17] See Plaintiff Vestinghouse Electric Corporation's Objections to Defendants' Supplemental Proposed Jury Instructions and Argument in Support of Westinghouse's Supplemental Instructions, July 1, 1993 at 52 ("In order to defeat Westinghouse's counterfeiting claim, defendants must show that Wetinghouse knew or should have known not merely of their sale of breakes bearing the Westinghouse mark, but also of their application of copies of the Westinghouse trademark to the used and reconditioned breakers they sold.").

tion that copying labels is a wrong in and of itself, the jury found all facts necessary for defendants to prevail on their affirmative defenses to all claims, and found that defendants did not intend to deceive. In these circumstances, the error is harmless. Westinghouse is entitled to neither damages nor a new trial.

However, since the jury found that Westinghouse proved its § 1114 and § 1125 claims, Westinghouse may be entitled to an injunction. This Court therefore invites the parties to submit supplemental briefs on the appropriate form of injunctive relief in light of this order. These briefs shall be filed no later than Friday, July 8, 1994.

IT IS SO ORDERED.

RICHARD A. GADBOIS, JR.
United States District Judge
DATED: May 16, 1994